

nion officials act to get allot decision reversed

rate members of the engineering workers have appealed to their executive against the decision of Mr Hugh Scanlon, the union's president, in using his casting vote to end postal ballot in the election of senior officials. If the appeal fails, leaders of the union's South Wales branch will seek a High Court injunction to reverse Mr Scanlon's decision.

Members 'denied their democratic rights'

Routledge, Editor, in the dominant position of the union's executive, has been accused of a "democratic deficit" in his handling of the postal ballot. The union's executive, which has been accused of a "democratic deficit" in its handling of the postal ballot, has been accused of a "democratic deficit" in its handling of the postal ballot. The union's executive, which has been accused of a "democratic deficit" in its handling of the postal ballot, has been accused of a "democratic deficit" in its handling of the postal ballot.

Annual rate of wage rises slows to 8.9pc

By Melvyn Westlake
Economics Staff

A slowdown in the rate of pay increases at last seems to be in evidence on the basis of government figures released yesterday which suggest that, contrary to the general belief, wages rates and earnings are rising more slowly than prices.

The deceleration in the pace at which earnings have been rising is particularly marked. The Department of Employment's earnings index, which covers about thirteen million employees in production and service industries, rose 1.4 per cent in the year to 21.2 (January, 1970-100).

More significantly, the annual rate of increase in earnings during the last three months is down to just 8.9 per cent, a dramatic fall from the annual rate of 19.4 per cent in the November-February period and the 33.6 per cent over the October-January period.

If the abnormal reduction in earnings that took place in the early months of last year as a result of three-day working is ignored, the latest figures register the lowest annual rate of increase over any three-month period for two years.

Unmistakably, pay packers are being affected by the deepening recession, the overtime falls and short-time working spreads. The Department of Employment estimated that 219,000 workers were on short-time in mid-March.

The latest estimates, for mid-April, suggested that this number had swollen to 225,000, while the level of industrial output shows no sign of rising above its present depressed level.

Even basic wage rates, which result from national agreements and consequently are not so strongly influenced by the level of industrial activity, showed a smaller rise, at 0.2 per cent, in April (the information for wage rates is more up-to-date than for earnings) than for any month since November 1973.

Thus, the annual rate of increase in basic wages dropped to 2.2 per cent in the February-April period from 2.1 per cent in December-March. However, the latest figures are being treated with reserve in Whitehall.



A figure of a steelworker being carried through London yesterday during a protest march against proposed redundancies in the industry (Report, page 4).

Government welcome for Jones pay plan

By Paul Routledge
Labour Editor

Mr Wilson and other senior Cabinet ministers yesterday welcomed a meeting of the TUC-Labour Party liaison committee for restricting wage inflation by limiting pay rises to a flat-rate limit.

The counter-inflation plan proposed at the weekend by the transport workers' leader will be discussed at a meeting between Mr Healey, the Chancellor, and the TUC economic committee tomorrow afternoon.

The talks were originally sought by union leaders to express their anxiety over the trend in government economic policy, which they argue is causing higher unemployment and raising prices.

Mr Wilson and Mr Healey are understood to have expressed support for Mr Jones's plan to rewrite the wage restraint provisions of the social contract between the TUC and the Government, so that union negotiators could not ask for more than a specified percentage increase in average industrial earnings.

The figure would be derived from the increase in the retail price index. However, if the Jones formula is rejected tomorrow's meeting of the TUC General Council it will run into determined opposition from craft-union leaders, who are determined that wage differentials in industry shall not be eroded, even for the "limited period" of about a year that Mr Jones has in mind.

Continued on page 2, col 1

Vorster aid to Frelimo revealed in correspondence with Liberia

Mr Vorster, the South African Prime Minister, wants to attend a summit meeting of African presidents and is trying to arrange it through President Tolbert of Liberia.

This is revealed in exchanges between the South African and Liberian Governments which have continued since Mr Vorster visited Liberia in February.

In the exchanges, reported extensively on page 7, Mr Vorster told President Tolbert that he was in touch with the Frelimo authorities in Mozambique and was giving them help, including large supplies of food.

Suggestions that a deal was being arranged between South Africa, Nigeria and Saudi Arabia for the exchange of oil for gold were not denied by the South Africans.

Mr Vorster kept in touch with President Tolbert through Mr R. F. Botha, his chief delegate to the United Nations, and Mr Stephen Tolbert, the Liberian President's brother, who died in an air crash last month.

On March 11 Mr Tolbert reported to his brother that Mr Vorster wanted the President's help in arranging meetings with President Kenyatta of Kenya, President Mobutu of Zaïre and General Gowon, the Nigerian leader.

As a second step Mr Vorster hoped for a group meeting with the same African leaders which would also be attended by President Tolbert. The purpose of this summit conference would be to seek solutions to the problems of southern

Africa which would be acceptable to the black leaders and Mr Vorster.

Mr Botha, who transmitted Mr Vorster's request to Mr Stephen Tolbert, made it clear that the South African Prime Minister was "begging" for Liberia's support.

Mr Botha also said that Mr Vorster wished to make a contribution to a Liberian fund for public projects. This offer was rejected by President Tolbert.

President Tolbert said he would try to arrange for Mr Vorster to meet the African leaders. However, before such a meeting Mr Vorster would have to do something "spectacularly positive and concrete" to convince Africa and the world of his sincerity in desisting from his policy of apartheid.

From Our Correspondent

Dr Kissinger resumes his dialogue with Russia

From Richard Davy
Vienna, May 19

Dr Henry Kissinger and Mr Andrei Gromyko, the Soviet Foreign Minister, met here this evening for talks which will continue until tomorrow afternoon, when the American Secretary of State will go on to Bonn, Berlin and the Central Treaty Organization (Cento) meeting in Ankara.

The main subjects under discussion are the strategic arms limitation talks (Salt) and the Middle East. Other aspects of East-West relations will also be touched upon, including the Geneva conference on security and cooperation in Europe, which is now approaching its final phase.

This is the first high level American-Soviet meeting since America's withdrawal from Indochina, so both sides will be testing the new situation. Dr Kissinger will also take the opportunity of his visit to Bonn and Berlin to reaffirm the American commitment to Europe.

At today's talks, which continued over a working dinner, the two foreign ministers were expected to concentrate on finding a way round the difficulties which have arisen in negotiating the Salt II agreement, the outline of which was agreed between President Ford and Mr Brezhnev, the Soviet party leader, in Vladivostok last November.

Both sides accepted a common ceiling of 2,400 offensive delivery vehicles, of which no more than 1,320 were to be equipped with multiple warheads. The Americans then proceeded on the assumption that all the giant new Soviet SS16 missiles would have multiple warheads. The Russians now say that this is not so, and that

some may have enormous single warheads. This raises a very difficult problem of verification since the Americans depend on knowing how many SS16s to include among the 1,320 multiple warhead vehicles, even though a single warhead could be more destructive.

Dr Kissinger is believed to have come with some new ideas on this subject, but will not get down to technical details with Mr Gromyko.

Tomorrow's talks will turn to the Middle East and are expected to pave the way for a resumption of the Geneva conference, for which the Russians have been pressing.

The reassessment of America's Middle East policy after the failure of Dr Kissinger's latest shuttle diplomacy will partly depend on what the Secretary of State learns of Soviet intentions from Mr Gromyko, but also on President Ford's meeting with President Sadat in Salzburg in two weeks' time and on the outcome of the subsequent visit of Mr Rabin, the Israeli Prime Minister, to Washington.

Dr Kissinger had what he described as a "good and detailed talk about the world situation" with Dr Bruno Kreisky, the Austrian Chancellor, this morning.

Later he threw the security men into confusion by suddenly attending a public performance at the famous Spanish Riding School. Then he had lunch with his wife.

Mr Gromyko, who arrived this morning, said that he was prepared to hold the talks in a constructive spirit and hoped for the same attitude from his partner. Nor until five pm did he throw the ministers' meet, first alone and then with large teams of advisers.

Guerrillas kill Rhodesian police reservist

From Our Correspondent

Salisbury, May 19
A middle-aged white man, Mr Peter Knight, a police reservist, and four tribesmen have been murdered by guerrillas in Rhodesia's north-eastern border area, according to security forces headquarters.

Altogether there have been more than 300 incidents of murder, attempted murder, beatings and other attacks since an official ceasefire was called between Rhodesian nationalists and the Government last December. A total of 245 civilians, mostly black, have died since Rhodesia's border war resumed.

Thatcher speech

Mrs Thatcher disclosed last night that she intends to speak in the Commons debate on the state of the economy on Thursday.

Beam casts veto on of veto

Political Editor

Edward Beam, Secretary for Industry, Labour pro-Europeans asserted in the Commons yesterday that a veto of the Council of Ministers would be necessary to prevent any attempt by the union to interfere with the rescue of British Leyland.

Mr Beam said: "I enter into matters of procedure. But any veto of the Council of Ministers would be a veto of the rescue of British Leyland."

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Beam accused, page 5

US apology to Thailand over use of air base eases strained relations

From Bruce Pelling
Bangkok, May 19

The Government of Thailand has accepted an official letter from the United States apologizing for the use of the U-Tapao air base in launching last week's rescue operation for the captured merchant ship Mayaguez.

The American message, delivered by Mr Edward Maters, the Charge d'Affaires, to Major-General Chatichai Choonhavan, the Thai Foreign Minister, effectively eases the developing tensions between the two countries.

The United States regrets the misunderstanding that has arisen between Thailand and the United States in regard to the temporary use of the U-Tapao air base in the rescue of the Mayaguez. The United States Government wishes to express its understanding of the problem caused to the Royal Thai Government and wishes to repeat its regret.

The unique circumstances that have led to the recent use of U-Tapao do not alter this (American-Thai) traditional relationship and are not going to be repeated.

Although in essence the letter went no further than the weekend speech by Dr Kissinger, the Secretary of State, when he also expressed regret at any embarrassment the incident may have caused the Thai Government, Mr Kissinger said he was particularly pleased with the assurance that this sort of incident would not be repeated.

But General Chatichai said the Thai Ambassador to the United States would still be recalled to Bangkok for consultations, and the review of all treaties and agreements between the two countries would still go ahead.

The Note was well received by leaders of the three-day demonstration outside the American Embassy in Bangkok, who agreed to call off the protest. "We did as well as you can expect by getting the written apology from the United States," Mr Seksan Prasertkul, a leading student activist, said.

A less optimistic note was sounded at the departure of the three-man delegation from the new South Vietnamese Government, who have been trying to negotiate the return of the 50-odd South Vietnamese aircraft flown by pilots fleeing from Saigon on the eve of the communist takeover and still standing at U-Tapao.

They said the Thai failure to respond and has not created favourable conditions for the establishment of new relations. But the delegation did welcome Bangkok's recognition of the new Government in Saigon.

Photograph, page 6

Leading article, page 15

Tory policy centre likely to close

Sir Keith Joseph's policy centre, established before the leadership election, is likely to close now that Mrs Thatcher has control of Tory research, our Political Editor writes.

Sir Keith's agreement before it is absorbed or given a new brief will be needed. Page 2

Newspaper seized

A full assembly of Portugal's Armed Forces Movement opened yesterday as communist workers seized editorial control of a socialist paper, setting the stage for a confrontation in the streets of Lisbon.

Page 6

Jump in retail sales

Heavy pre-Budget spending during April was confirmed by figures given by the Department of Industry yesterday. They show retail sales soared 7.1 per cent above the March level.

Page 7

Secret payments

Undisclosed political contributions running into many millions of dollars, allegedly made by Exxon, the world's largest company, are being investigated by the American Securities and Exchange Commission and a Senate sub-committee.

Basque crisis talks

A report on the arrests and violence in the Basque country was given by the Bishop of Bilbao to the Vatican envoy in Madrid yesterday.

Social contract: Mr Tom Jackson, leader of the Union of Post Office workers, yesterday condemned unions that broke the social contract. Page 2

Pay rise call: Public service workers in local authorities and the NHS yesterday decided to press for a minimum wage of £40 plus, one-third above the present minimum.

General Assembly: Protests are likely today at the General Assembly of the Church of Scotland over a Roman Catholic address.

Uganda: President Amin threatens to destroy Kampala if President Nyerere prevents the Organization of African Unity meeting in Kampala.

Middle East: Tension on the West Bank increases as Israel forces arrest 69 Arabs in hunt for saboteurs.

Labour museum: Mr Wilson opens museum at Llandudno, where one of his pipes has its place amid memorials of socialism.

Leader, page 15

Letters: On university teachers' action over pay from Dr D. H. Michael and others; on referendum issues from Mr Nicholas Fallon and others.

Leading articles: Investing during inflation; United States-Thai relations.

Features, pages 8 and 14

Paul Harrison looks at the life of tea pickers in Ceylon; Cosmetic camouflage, by Prudence Glynn.

Arts, page 9

David Robinson at Cannes Film Festival; Paul Overy on exhibitions by Kenneth Martin and Derek Boshier; Stephen Walsh on Vaughan Williams conducted by Andre Previn.

Obituary, page 16

Mr LeRoy Anderson, Professor N. A. Barnicoat.

Sport, pages 10 and 11

Tennis: Orantes wins British hard court championships; Cricket: Benson and Hedges Cup match reports; Racing: English challenger fails at St Cloud.

Business News, pages 17-22

Financial Editor: Looking for trends in banking; Bond sounds a warning note.

Business features: The case for and against legal aid in hearings before industrial tribunals is examined by Eric Wigham.

Business Diary: A new book by one of the Government's advisers contains implied criticism of the Prime Minister for watering down Labour's industrial policy.

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national agreement there's a ban on alcoholic beverages in economy class.

HOME NEWS

Steel job protesters give Mr Benn a mixed reception

By Martin Huckerby

Mr Wedgwood Benn, Secretary of State for Industry, was given a mixed reception by protesting steel workers in London yesterday when he told them he would do all he could to safeguard their interests.

More than a thousand steel workers, mainly from Scotland, had marched from Hyde Park Corner to the British Steel Corporation's headquarters in Grosvenor Place, Westminster, to protest about proposed closures and redundancies in the industry. They went to Central Hall, Westminster, where they gave Mr Benn an ovation when he came to the platform.

But when it became clear that he was offering no guarantee that every job would be protected, several dozen workers walked out of the hall. Others began shouting and heckling, and, although many stood and applauded when Mr Benn finished his speech, others stayed in their seats.

Mr Benn, flanked by more than a dozen Labour MPs, including Mr Eric Heffer and Mrs Hart, Minister for Overseas Development, said: "The steel workers elected the Labour Government in February of last year to look after the interests of the steel industry and those who are in it. As far as I am concerned, while I remain Secretary of State I will safeguard those interests as best I can."

He said he made no apologies for his concern about jobs in the steel industry, or the shipbuilding

industry. While he could not guarantee that each man would keep his job, he said: "We will not go back to the 1930s."

A nationalized industry should not make decisions affecting workers without serious consultations with those concerned. He had asked the steel corporation to negotiate with the trade unions, and the talks were taking place.

He had no ambition to run the steel corporation, he added, but it was wrong for nationalized industries to be run solely from the top.

After his speech some workers complained angrily of his failure to offer pledges of a total safeguard for jobs, but Mr Gordon Massey, chairman of the workers' Scottish action committee, said that he was very pleased by Mr Benn's statement. He said the hecklers were expressing their anxiety without studying the statement.

Many of the workers did not attend the meeting with the MPs at Central Hall. Some went straight to the House of Commons to lobby MPs, but many others just wandered off. Only about five hundred heard Mr Benn and the other speakers.

Earlier, a pipe band, went to the steel corporation's headquarters a deputation went in to see TUC leaders taking part in the talks they were having with the corporation. Outside, the demonstrators walked past shouting: "Sack Monty" (Sir Monty Finiston, the corporation's chairman). A letter was also delivered to 10 Downing Street by a delegation of six workers.

Two years to film 120 years of documents

By a Staff Reporter

The Civil Service Department today describes how 50 million pages of documents in the Companies Registration Office of the Department of Trade have been put on microfilm to make them more accessible.

An article in *Management Services in Government*, the department's journal, tells of the difficulty of public inspection of company records amounting to many millions of documents, with thousands being added daily.

After discussions with users, it was decided that microfilm presentation was the best alternative to the present system of getting the original files out of store.

When it became obvious that Companies House would run out of storage space and could not recruit and retain enough staff in London, it was decided that the main storage should move to Cardiff next year, and that a microfilm public reading room should remain in London.

Because the original files will not be available in London in case of damage to, or loss of, the microfilm copies, a new copy is to be made for each inquiry, which he can take away. The Cardiff office will hold the library of original microfilm jackets. Primary copies will be at the London reading room and duplicators there will produce extra copies on demand. There will be a small public reading room at Cardiff.

A film unit started two years ago on the task of filming 50 million pages of documents from 630,000 company files. They hold a great variety of documents, covering 120 years, in different sizes and colours, in print, manuscript, typescript, rubber stamp imprints, and, more recently, computer print-out, with many of the older documents creased, worn and faded.

The unit can produce a legible copy from almost any legible original, whether faded nineteenth-century copperplate handwriting on blue paper, typewritten third-carbon copy, or modern glossy brochure.

Mr P. Allwood, of the department's management services, writes: "We know of no other scheme of comparable size."

Labourer gets 'life'

Edward Colls, aged 36, a labourer, of Bedlington, was sentenced at Newcastle upon Tyne Crown Court yesterday to life imprisonment for murdering Allison Scott, aged nine, of Blyth, Northumberland.



The auditorium of the open-air theatre in Regent's Park, London, which will seat 1,187 when it is completed next month.

Five men jailed in Channel immigrants case

Five men who conspired to bring Asians into Britain illegally received jail sentences ranging from nine months to 3½ years at Gravesend Crown Court, Kent, yesterday.

Philip Noel Grist, aged 23, of Priory Drive, Littlestone, Isle of Wight, was jailed for two years; Valvin John Tattersall, aged 24, of Springham Hill, Moseley, Birmingham, for 12 months; Joseph Farragis, aged 27, of Helston Grove, Tysley, Birmingham, for nine months; Victor Savage, aged 31, of Stryens Road, Sea View, Isle of Wight, for two years; and Spyros Georgiades, aged 38, of Selwyn Road, Edgbaston, Birmingham, for 3½ years.

The court was told that after distress calls had been received at Dover coastguard station in January in a motor vessel was found adrift in the Channel. On board were Mr Grist, and 14 Asians.

Memoirs inquiry seeks evidence

The committee of Privy Counsellors under the chairmanship of Lord Radcliffe which has been asked to consider the principles that should govern publication of memoirs by former ministers, has invited written evidence by the end of June (our Political Staff writes).

Memoranda should be sent to the committee secretary, 70 Whitehall, London, SW1.

Public fund payment urged for MPs' secretaries

By Penny Symon

Public funds should be made available to enable MPs to employ at least one full-time secretary, the minimum necessary for them adequately to represent constituents' interests, according to a Commons select committee recommendation.

The Select Committee on Assistance to Private Members said yesterday that it considered secretarial assistance important enough to devote its first report to that topic alone.

MPs may now claim a number of allowances, including the cost of secretarial assistance up to an annual limit of £1,750, within that limit they may claim up to £550 for the expenses of employing a research assistant. In the last completed financial year, 73 per cent of MPs claimed the full secretarial allowance. Those who spend more than £1,750 on secretarial assistance, including research assistance, may claim tax relief on the additional amount.

The committee says it has no hesitation in asserting that public funds should be made available. It also believes that allowances for other secretarial or research assistance should be additional to that basic requirement.

The committee adds that it has received evidence to suggest that in other fields a competent and experienced secretary working in London may earn between £2,800 and £3,000.

A personal secretary, working for an assistant secretary in the Civil Service, earns about £2,400 to £3,100, plus proficiency payments, which may amount to £200. A senior personal secretary, working for a deputy secretary, earns about £2,900 to £3,600.

The committee proposes that the Fees Office should be empowered to pay to any secretary nominated by a member a wage not exceeding the salary payable at the time to a specified grade of personal secretary in the Civil Service.

For MPs not opting for this scheme, the committee believes that the allowance system should continue at a level compatible with comparable secretarial salary figures, with an element to cover the true cost of employing a full-time secretary.

"We are thus recommending not only that the secretarial allowance should rise to cover inflation but also that it should be increased in real terms in order that more adequate provision may be made for members to employ secretaries."

The Commons has already carried a motion to give parties in Parliament, and the Houghton committee is considering whether taxpayers' money should be used to finance political party activities outside.

The Boyle review on MPs' pay is expected to recommend an increase of about £2,000 a year.

Canned meat products 'that mislead shoppers'

From Our Correspondent

Walsall

Housewives are being misled into believing that they are buying good quality meat when they are in fact purchasing "second class cast-offs," a Council official said yesterday.

Manufacturers, some household names, are using chopped meat in pies and canned meat products with no mention on the label, Mr Roger Manley, trading standards officer to Warwickshire County Council, said.

Manufacturers, he said, might be committing an offence under the Food and Drugs Act, but it would be more effective to get them to amend the wording on the packaging. Reports of his country's campaign for that would go to a Ministry of Agriculture and Fisheries and Food working party.

Saliva sample in rape case inquiries

All men in Cambridgeshire aged between 17 and 30, and 5ft 5in tall or under are to be asked by detectives hunting the Cambridge rapist, to give a saliva sample. The decision follows the discovery of a new clue by Home Office scientists investigating the seventh and latest rape.

Det Supt Bernard Hovson, leading the hunt said yesterday: "This is the most encouraging clue we have come across in eight months of inquiries."

Our Medical Correspondent writes: Tests on saliva can determine an individual's blood group and other biochemical "fingerprints". If the police know the rapist's blood group—and that may be found from specimens of blood, saliva or semen—the results of mass testing could be used to narrow inquiries.

Boy aged seven started house fire

A boy-aged seven started a house fire in which an invalid woman died at Hull last Saturday. Det Supt Ronald Sagar, deputy head of Humberside CID, said yesterday.

Pamela Reham, aged 35, was trapped in her first-floor bedroom in a house in Coffman Street, Jacqueline Blake, aged 23, who was rescued by firemen, is in hospital with severe burns. Six children in the house escaped unhurt.

In brief

Pupil admits Harrow arson

Simon Rhodes, aged 16, second cousin of the Queen, caused £92,000 fire damage at Harrow School, where he was a pupil, was conditionally charged for 12 months at Central Criminal Court yesterday. He pleaded guilty to Mr Justice MacKinnon told that two incidents in which he had been attacked interfered with his school behaviour. He had decided to erase the scene from his memory.

MoT fee rise planned

The Department of Environment is seeking on-proposed increases of quarter for roadwork fees. The fee would go from £1.54 to £2.04 for a car from 94p to £1.13 for a cycle.

Liberal choice

Mrs Elizabeth Shaw, teacher, of Westow, York, has been selected as a parliamentary Liberal candidate for Derbyshire, east, a Conservative seat by Mr Peter Rost.

Cash boost 'urgent'

A big cash boost is needed for Britain's social services, will collapse, the Society for Mentally Capped Children said in its annual report.

M6 driver dies

Mr George Jones, age 40, a lorry driver, of Brook Solihull, was killed in a vehicle multiple crash on the M6 at yesterday.

Canon retires at 94

Canon John Barrow, 94, chapter clerk at the Cathedral, who has been diocesan since 1904, is to

Man accused kidnapping

Brian Anderson, age 38, fish-and-chip shop, pri of Bury New Road, Walsall, has been charged with kidnapping the daughter of a woman, is to be questioned with other offences, magistrates at Greater Manchester, Walsall, said yesterday. He was released on bail until 11 charged with unlawful sex and carrying away with and with der £100,000 with menaces. ing restrictions were lifted. The girl is the daughter of Mr Danny Carr, of Plesman Wal, Radcliffe, Chester, who won £500 the football pools three ago.

Protests over archbishop at General Assembly

From Ronald Faux

Edinburgh

The General Assembly of the Church of Scotland, that bastion of the Reformation, which opens in Edinburgh today, is to be addressed by a Roman Catholic archbishop for the first time. Although the thought received overwhelming approval at the assembly last year, the reality seems certain to provoke indignant protest.

The Rev James Matheson, Moderator-designate, does not believe rank-and-file church members will object to the address by the Archbishop of Glasgow, Mr Thomas Winning, the Roman Catholic observer at the assembly. But Pastor Jack Glass, head of the Twentieth Century Reformation Movement, and leaders of the Orange Lodge of

Scotland have already voiced disapproval.

Ever since the Roman Catholic Church was allowed to have observers sitting mutely through the assembly, Pastor Glass and his followers have mounted banners of protest outside against ecumenism. "This year I have a ticket to get in", he said yesterday.

If he is allowed into the assembly for the address, Pastor Glass plans to stand while all others sit and bear a protest smock suitably inscribed with an anti-papist message.

Leaders of the Orange Lodge of Scotland said yesterday that they would display a thesis in St Giles's Cathedral as the assembly opened, saying that there could be no dialogue between the Roman Catholic and the reformed churches.

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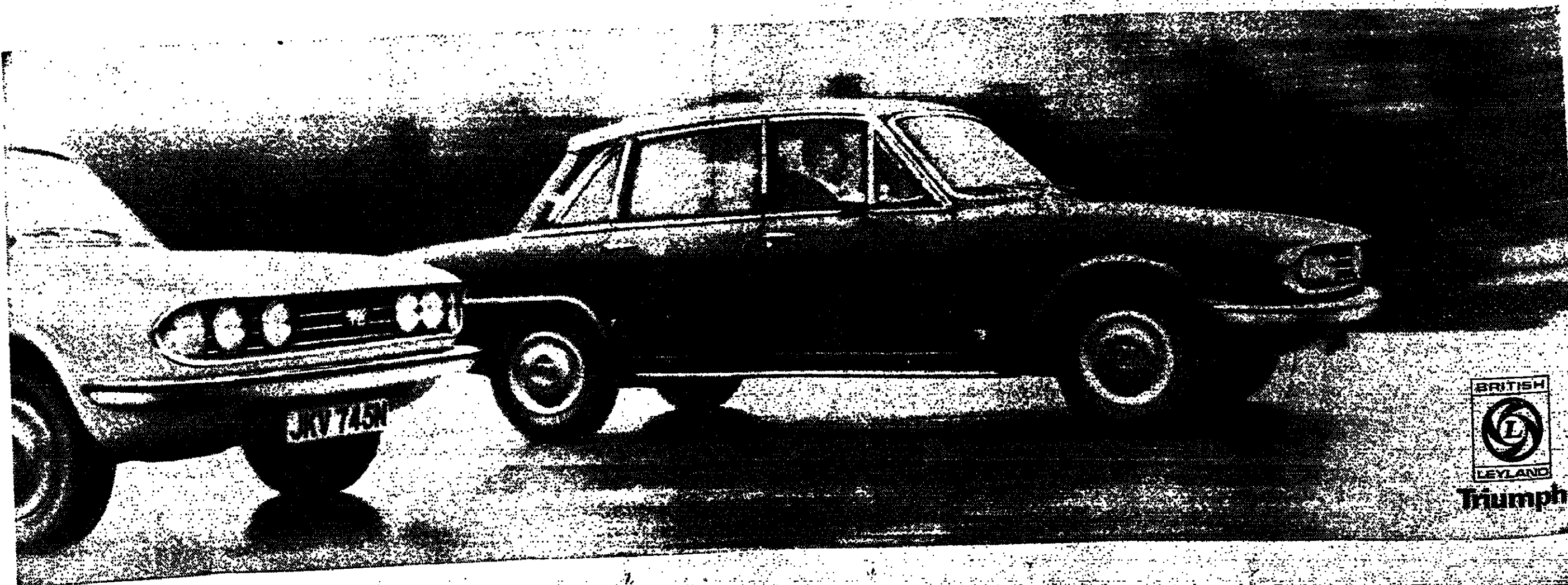


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REFERENDUM

Commissioner chides Mr Benn on jobs misunderstanding

By Roger Berthoud

Wedgehead Benn's attacks on the European Commission based on a "misunderstanding" of the way it used the powers delegated by national governments, George Thomson, of the European Commission, said today.

Mr Thomson, a Labour minister, said Britain in Europe pressence in London, "that g his period as Secretary ate for industry he has able to spend only one n Brussels". He added: "had taken part in the long sions in the Council of ers on regional policy he 'have seen that the commis whole aim is to help weaker unity countries like Britain direct aid and, by establish es of fair play on subsidies, ect them from a disastrous ty was which our stronger sition would win. add also have seen that the unity's strategic political ons are taken by democratic ers answerable to demo- parliaments. Neither self- ment nor democracy is, ened, although the forms tange and develop by agree at the Community advances. Thomson, who is the com- ner responsible for re- l policy, thought it asto- ing that EEC membership d be blamed for loss of only two days after an nement that grants and to Britain from Brussels totalled £715m, including £100m to modernize the

steel industry. It was a indous accusation that the EEC wanted to throw British steel workers on the scrapheap and to veto new investments, he said.

"Speaking on the same platform, Mr William Whitelaw, Deputy Conservative leader, said Mr Benn had disregarded the views on the employment issue of those who run Britain's industries. He had stood the facts on their heads. Asked whether he was calling Mr Benn a liar, Mr Whitelaw gave an ambiguous answer, ending with the word "Yes".

More absurd still, Mr Whitelaw said, was Mr Benn's argument that employment could be preserved only by Britain's withdrawal from the EEC. If we cannot sell our goods effectively inside the Community and so maintain jobs in this country, how could Britain possibly have to do so outside, facing tariff barriers?

Mr Prendergast, Secretary of State for Education and Science, thought arguments that Britain's industry could not face competition were defeatist. The country was entitled to know whether the anti-Marketees were advocating continued trade with Europe after withdrawal and wanted to get a free agreement, or whether they wanted a "siege economy".

He believed British exports must improve, both to Europe and the rest of the world. It would be a tough struggle, but much tougher outside the EEC.

Unich parallel seen in move as Britain 'slept'

Staff Reporter

part of the anti-EEC it on the establishment, let Britain Out movement day launched a book ed *While Britain Slept: Selling of the Common et.*

s a highly critical account journalist, Mr Douglas of how the Conservative Labour Parties, the Civil e and assorted lobbyists ed the issue of Britain's

title's resemblance to of J. F. Kennedy's early *Why England Slept*, is obvious, as GBO's chair, Mr Christopher Brere- rubbed home at a press- rence in London.

e same self-appointed ers of Britain's national est had been at work over EEC as at the time of

Munich, he said. Among their aims was to promote the free flow of British capital to Europe. He thought it signifi- cant that two former senior civil servants who had played crucial roles Lord Armstrong of Sandhurst, and Lord Helsby, were now directors of the Midland Bank.

Mr Evans emphasizes the lack of public debate before the decision to seek membership, and at the subsequent elections. But he also believed, he said yesterday, that the pursuit of membership was fundamentally inflationary, notably when Mr Heath created a boom between 1970 and 1973 by increasing the money supply by an average of 30 per cent, to enable industry to benefit from the "easy money" market waiting to be exploited.

While Britain Slept: The Selling of the Common Market, Gollancz, £2.

'Workless stunt a disgrace', MP says

By Our Political Correspondent

Mr Cyril Smith, Liberal MP for Rochdale, said in Nottingham yesterday that he considered it "an absolute lie" for Mr Tony Benn to say that EEC membership had cost Britain 500,000 jobs.

"A stunt like this is a disgrace to those who take part in it," he said. "Our problems in the car industry have nothing to do with the Common Market. They have to do with quality, reliability, investment, delivery dates and management. To claim otherwise is a gross deception."

Mr Rippon, Conservative MP for Hexham, who as a minister negotiated Britain's entry, said at Nottingham: "Mr Benn's extraordinary allegation was a startling revelation about the damage from wildcat strikes. His figures of the fall in car exports show what happens when Britain fails to deliver the goods."

"He has condemned the failure for which he has a direct responsibility. How many more jobs does he think have been lost by our loss of potential exports to the rest of the world?"

The anti-Europeans gave the false impression that the bulk of Britain's trade deficit was with the EEC. Our non-oil trade gap with the EEC had increased far less than that with the Commonwealth and United States.

Mr Taverner, QC, former MP for Lincoln said at Nottingham that Britain might soon need a huge loan.

"Without it we could face a slump on the scale of the 1930s. Yet why should foreigners lift a finger to help us if we break our treaty and kick them in the teeth?"

Mr Hoosen, QC, MP for Montgomery, said at Stroud that Commonwealth countries had come to the conclusion that it was better for us and for them for Britain to stay in. "The alternative economic policy is therefore not open to us."

Mr Scott, MP for Kensington and Chelsea, said in Southwark that those who argued that leaving Europe would not affect British industry now had a resounding answer. The *Economist* Opinion Research Centre Survey, covering the whole span of British opposition to withdrawal. Of large companies, 97 per cent were for staying in, as were 94 per cent of small ones.

Mr Steel, Liberal Chief Whip, said at Basingstoke: Br Benn's irresponsible allegations about levels of unemployment were unfounded and could create only fear and panic.

Mr Foot affirms link between EEC and unemployment

By George Clark

Political Correspondent

Mr Foot, Secretary of State for Employment, yesterday sought to contradict the "propaganda" of the pro-Europeans that it was in the interest of young people that Britain should remain a member of the EEC.

At a press conference held in London by the National Referendum Campaign he said that one of the posters displayed by the pro-Marketees referred to "jobs for the boys" in Europe. But one unemployed person in every three in Western Europe as a whole was aged under 25.

Comparing 1973 with 1974, he said, there had been an appalling increase in the numbers of unemployed in Europe; even worse, the increase in those unemployed under the age of 25 had increased on average by 49 per cent. In the United Kingdom it was about 30 per cent, although the comparison could not be made exactly. He continued:

"I think our unemployment figures are quite bad enough, but they are not as bad as they are in Western Europe, particularly among the young, and I find it particularly offensive that we should have about the opportunity of jobs "for the boys" in Western Europe."

One of the things anti-Market ministers were most concerned about, he said, was that Britain was importing unemployment from Western Europe.

It was true that the world recession was partly responsible for the increase in unemployment, but he agreed with Mr Benn, Secretary of State for Industry, that the adverse balance of trade with the EEC countries was the biggest factor. The threat to steel jobs, Mr Foot



Mr Foot and Mrs Hart at yesterday's press conference against EEC entry.

said, arose solely from membership of the EEC. The measures required to protect those jobs could be gravely interfered with by EEC regulations.

We want to have much more direct intervention by the Government to ensure that we get investments in the right places. . . . The claim of the pro-Marketees that going into the Market would help our investment problem has been catastrophically disproved.

Mrs Hart, Minister for Overseas Development, who also has steelworkers among her constituents in Lanark, reinforced the argument by saying that the United Kingdom steel industry was producing only 54 per cent of the steel demanded by British industry.

Today we are in a depression from which we hope there will be an upturn. Is it not crazy that we should not aim at producing the maximum amount of steel to give the maximum employment to our people and the maximum base to our own industrial development.

Mrs Castle, Secretary of State for Social Services, said the United Kingdom was bamboozled into entering the EEC on the vision of the great trade bonanzas that would come within an enlarged market of 200 million people.

The facts have been the exact opposite. Our balance of trade deficit with the Community since entry has swung catastrophically against us. In manufacturing goods in 1970 we had a surplus of £465m, and that surplus has been

turned into a deficit of over £600m.

The deficit on the balance of trade with the Six was running at an annual rate of £81m in chemicals, £65m in textiles, £205m in cars, £141m in machinery, £19m in other finished manufactures, and £426m in steel. But direct United Kingdom investment in EEC countries in chemicals between 1972 and 1973 rose from £16.4m to £82.8m; and European investments in chemicals in the United Kingdom fell from £9.2m to £2.9m.

Mrs Castle said liberalization of direct investment was by no means complete under the accession arrangements, but it

was clear that the economic benefits had not arrived and the economic dangers had multiplied.

In a joint statement five ministers who dissented from the Government's decision to recommend continued membership of the EEC commented on the demonstration by steel workers in London yesterday. Mr Foot, Mrs Hart, Mrs Castle, Mr Benn and Mr John Silkin, Minister for Planning and Local Government, said: "We warn again that British working people will not accept the redundancy and unemployment that is the price of Market membership. The first sign of rejection of this philosophy comes with the rally of steelworkers in London today. Threatened with 20,000 redundancies while European steel is flooding into our ports, they have come to London to tell us that such a situation is unacceptable. The situation of the British steel industry is the situation of the whole of British manufacturing industry."

Last night the National Referendum campaign started that the Shah of Iran, warning that oil prices would almost certainly be increased again later this year should be a warning to Britain about the dangers of staying in the EEC. There is no doubt that the bureaucrats in Brussels are now laying plans to control Britain's natural gas and oil supplies.

"Tribune" view: Reporting on their personal experience of the anti-Market campaign, *Tribune* group members at the Commons last night generally agreed that most constituency parties have been neutralized by local agreements to disagree. Consequently, such impact as is made by leaflets and brochures is attributable to the trade union, who have spent money in campaigning.

Membership is of benefit, coal board maintains

By Roger Vielvoys

The National Coal Board says that membership of the EEC has been of benefit to the industry in Britain and should aid its future development.

In a factual assessment of the impact of Community membership on the coal industry during the past two years, the board says that while it has been contributing to Community funds through a levy on coal production it has been receiving financial aid in excess of that.

The coal industry in Britain is the largest in the Community and nearly equal to the rest put together. The coal board said it had successfully pressed for an EEC coal policy that reversed the negative moves of previous years, and supported the expansion of production in Britain.

The principle of measures to safeguard coal markets has been adopted by the Community largely as a result of British

efforts. That would enable governments to give financial aid for supplies to the electricity and steel industries during temporary falls in demand. It would also help in stocking coal, including finance to cope with market fluctuations, and give security of supply. Safeguards were provided on imports.

Britain, the assessment says, is also impressing on the commission the need for continuing financial help for high-cost coalfields to ensure security of supply, including particular coal qualities.

The levy due on tonnage produced, which the board paid to the Community, was £2.3m in 1973 and £2.5m in 1974.

Grants from the Community are available towards the cost of benefits under existing British schemes to protect mine-workers from hardship through displacement and redundancy.

Powdered milk 'mountain' keeps growing

More than 100 tons a month of powdered skim milk is being added in Britain to an EEC "mountain" of almost 500,000 tons.

The board added that farmers could claim a subsidy of more than 8p a gallon for feeding their own livestock with skim milk produced in their own creameries.

'No' from small shopkeepers

The National Union of Small Shopkeepers rejected British membership of the EEC. Mr Thomas Lynch, the president, said at the association's annual conference at Buxton.

He said the Government might have to consider food rationing to prevent hoarding by wholesalers and shoppers if prices continued to rise.

Sectarian battle-cries in Ulster campaign

From Christopher Walker

The campaign to woo Ulster's one million voters from their apathy towards the forthcoming referendum gathered momentum yesterday.

Launching the Northern Ireland branch of Get Britain Out, Mr Neil Oliver, the chairman, used the familiar "loyalist" battle-cry of "no surrender".

His speech demonstrated clearly that the campaign in Ulster will have quite a different flavour from that in any other part of Britain.

The convention election demonstrated that the majority of the Northern Ireland electorate will not tolerate power-sharing in executive government," he said. "How much less will they tolerate power-sharing and the future destiny of this province being surrendered to a foreign community."

Mr Oliver a failed loyalist candidate in the recent elections, said that no part of the United Kingdom had more to lose by continuing membership yesterday.

At another meeting in Belfast yesterday, Sir Christopher Soames, vice-president of the European Economic Commission said Ulster would lose investment to the Irish Republic if Britain left the Community.

Sir Christopher said he could not see why investors should want to put their money in a Northern Ireland outside Europe when by taking it across the border they could have access to a huge market.

Arguing that continued membership would contribute to the economic and political stability of Ulster, Sir Christopher disclosed that the question of whether an independent Northern Ireland could remain inside the EEC had never been considered by the Community.

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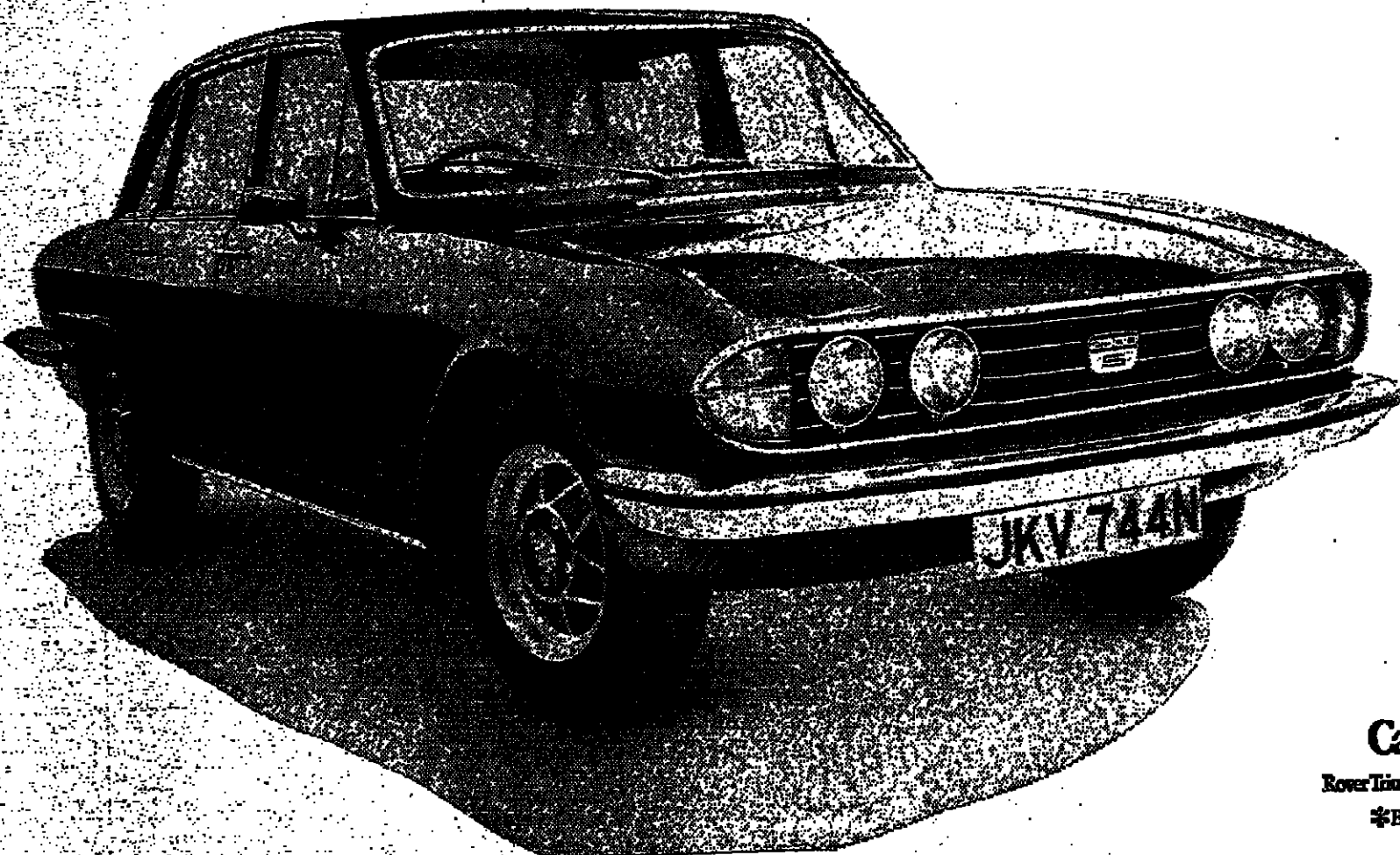


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WEST EUROPE

Bishop of Bilbao reports to the Vatican envoy in Madrid on the Basque country crisis

From Harry Debellus
Madrid, May 19

Mgr Antonio Añoveros, the Bishop of Bilbao, came to Madrid today to give a first-hand report to Mgr Luigi Dadaglio, the Papal Nuncio, on the wave of violence in the Basque country.

He arrived by car less than 24 hours after denouncing "violence on both sides" from the pulpit of the Santiago cathedral in Bilbao. He made the journey with Father Angel Ubieta, the Vicar General of his diocese.

Fifteen months ago both the bishop and the vicar general were under house arrest in Bilbao because of a pastoral letter in which Mgr Añoveros called for official recognition of the Basque cultural heritage, and the Government tried unsuccessfully to expel him from Spain.

While in Madrid, the Bilbao clergymen will attend a meeting, which begins tomorrow, of the Spanish Episcopal Council.

This will "take the pulse of the current situation of the Spanish Catholic Church in relation to the burning issues in the life of the nation", a church spokesman said.

The problems of the Basque country, where political police

have reportedly rounded up thousands in the past three weeks, are certain to be among those "burning issues".

Another area of conflict between the Church and the State became evident today when it was learnt that Mgr Infantes Florido, Bishop of the Canary Islands, will fly to Rome for a meeting with the Pope to discuss a Government ban on a Church assembly in his diocese. The bishop did not mince words in publicly denouncing the Spanish authorities for violating the Concordat with the Vatican by prohibiting the assembly.

In another development today springing from the state of emergency recently decreed for the Basque provinces of Vizcaya and Guipuzcoa, Señor Miguel Angel Aguilá, editor-in-chief of the Spanish national magazine *Posible*, was indicted in Madrid on political charges over an article he wrote about the emergency. He was released on £234 bail.

Spaniards never had a chance to read his article because all 55,000 copies of the magazine were confiscated by police before it reached the newsstands.

It was also learnt today that hundreds of young men and

women have fled the Basque country since the state of emergency was decreed, presumably to avoid persecution of those suspected of support of those who have come to the country to fight.

While doctors in a Bilbao hospital reported today that Father Eustasio Erquicia, the Basque priest who suffered serious kidney injuries while being interrogated by secret police a week ago, continued in grave condition, a Basque source said that police had beaten another Bilbao priest, Father Felix Iraurgi.

Earlier reports claimed that Father Iraurgi was attacked by unknown right-wing extremists, but the source said today he saw the injuries immediately after the priest's release on May 9 after four days in police custody.

"I saw his body, the still livid marks—great black bruises—of the blows he received at the police station, all over his body, on his head, his chest, his stomach, his sides, his thighs, his arms", the Basque source affirmed.

Protest at seizure of Lisbon paper

From Jose Shercliff
Lisbon, May 19

A full assembly of Portugal's Armed Forces Movement (MFA) opened here today after a weekend of political confusion and economic troubles.

The MFA assembly has a full agenda, but the seizure of editorial control of the evening newspaper *República* today by communist printers will no doubt also be discussed.

High on the agenda is the disquieting economic situation in the country, with production, exports and gold reserves falling. An analysis of recent developments in Angola and the effect on the forthcoming decolonisation of the territory will also be heard by the delegates.

The direction of the country's political evolution, the findings of the commission inquiring into the abortive March 11 military coup, and the internal affairs of the MFA and its future tasks will also be debated.

It has been clear since the elections that the MFA is deeply worried by the political situation in the country, and in particular by the Socialist electoral victory and the widening gulf between the Socialist and Communist parties. Since the MFA is recent institutionalisation, its members have felt that it is for them, rather than for individual political parties, to guide the country. They feel that in order to do this they must go out and campaign more widely to enlighten and dynamise the people.

Lisbon, May 19.—Angered by the Communist seizure of *República*, the newspaper they own, Portugal's Socialists called for street demonstrations today to liberate it from hostile hands.

The move by Communist printers and janitors who locked up Dr Raul Rego, the editor, in his office, poses further problems to the MFA as it was the only Lisbon paper not under Communist editorial control.

The workers accused Dr Rego of publishing a Communist document that should have been kept secret.

Leaflets calling for an end of the "new censorship" and denouncing "the attacks on the information organs" were scattered in the streets.—AP and UPI

Greece and Turkey set up machinery for consultations

From Our Own Correspondent
Rome, May 19

Mr Dimitrios Bitsios, the Greek Foreign Minister, said today after a series of meetings in Rome with Mr İhsan Sabri Caglayangil, his Turkish counterpart, that machinery has been set in motion for consultations between the two countries.

It might be said that such a result represented a substantial advance, considering that this was the first encounter at such a high level between the two countries since the outbreak of the present Cyprus troubles in August.

But in real terms, not much has been achieved beyond the prospect of further talks. The two Ministers will be meeting again at the end of this month in Brussels when their heads of government will also be present at the Nato conference. There were four ministerial meetings since Saturday, each lasting about an hour.

Spanish troops braced for Sahara battle anniversary

From Our Correspondent
Madrid, May 19

The pace of the evacuation of dependants of the Spanish military from the Sahara appeared to quicken today as members of a United Nations fact-finding committee ended their one-week visit to the Spanish colony.

Spanish troops braced for possible action in connexion with tomorrow's second anniversary of the first battle between desert guerrillas of the Libyan-backed Popular Front for Liberation of the Sahara (Polisario) and General Franco's troops.

Libya radio claimed that, in addition to a dozen Spanish officers and soldiers captured about a week ago, six more were taken prisoner last Friday night. There was no official confirmation of this. An unofficial report said Polisario was trying to exchange the Spanish soldiers for Sahara political prisoners in Spanish jails in the Sahara and the Canary Islands.

Deposed ruler ill
Kathmandu, May 19.—The deposed monarch (King) of Sikkim has been seriously ill for past several days, the Nepalese newspaper *Everest* said today.

First 'national' newspaper in West Germany
From Dan van der Vat
Bonn, May 19

West Germany acquired its first "national" newspaper today when *Die Welt*, formerly of Hamburg, produced its editions for tomorrow from Bonn for the first time.

In probably the largest removal operation in the history of the German press, the best-known component of the Axel Springer press empire has moved to the federal capital to be on the spot for political news.

At the same time, the printing operation has been rationalized. At what is described as a saving of several million marks, the federal editions will be printed in Essen. Only local sections will be printed in Hamburg and West Berlin, which previously printed the entire paper.

30,000 acres of Camargue to be protected
From Our Own Correspondent
Paris, May 19

More than 30,000 acres of the Camargue, a flat region between the two arms of the Rhône, and one of the finest areas for wildlife in Southern France, have been designated as a zoological and botanical nature reserve.

All human activities judged a threat to nature will now be prohibited in this area. Camping and caravanning will be banned together with hunting and fishing. Economic activity in the protected area will be restricted to cattle raising.

OVERSEAS

Huge secret payments by Exxon alleged

From Frank Vogl
US Economics Correspondent
Washington, May 19

A case is now being developed by United States Government officials that will show that undisclosed political contributions, running into many millions of dollars, have been made by the world's largest company, the Exxon Corporation, informed sources said.

The Exxon case will be by far the largest of this kind to date and a feature of it will be payments made to politicians by Exxon's subsidiary in Italy, the sources added. The investigations are being conducted by both the Securities and Exchange Commission (SEC) and the Senate's subcommittee on multinational corporations.

An indication of the pressure now building up on Exxon was the statement last week by the company's chairman, Mr J. W. Jamieson, that Exxon had made political contributions in both Italy and Canada. He did not disclose the size of these payments and maintained that they were perfectly legal in the countries in which they were made.

However, these contributions and possibly others of a similar nature, have never been disclosed by Exxon in the company's published balance sheets. This is one factor that deeply concerns the Securities and Exchange Commission.

The Senate subcommittee, which is equally concerned about the moral issues involved in American companies making political payments, the pressures placed by foreign governments on these companies to make such payments, and the effect such payments have on American relations with foreign countries.

The sources noted that the State Department is deeply alarmed about these cases, fearing that revelations of large payments to foreign governments will have a most serious impact on how the United States conducts foreign policy.

A large series of cases involving political payments by companies. Investigators at the SEC and at the Senate committee admit that they fear that the disclosures now have been made so far by companies are just the tip of the iceberg.

Following information that came to light in the Watergate investigations last year, more than a dozen American firms are now under investigation of one sort or another in regard to political payments.

There is a strong belief that a large number of companies in the defence business may have made bribes and made payments here and abroad to secure contracts.

The purpose of these advance payments, which under the terms of the contracts would have been illegal, could have been to ensure the high profitability of the companies involved, at the cost of the taxpayers. The current investigations into companies could lead, the sources add, into investigations of illegal activities, here and abroad, within bureaucracies.

A big problem in gathering information for developing the cases is that many of the companies involve have used foreign agents, or subsidiary companies, in such places as the Bahamas, to make the cash transfers and so conceal the payments. To gather the information, some cases demands cooperation between the United States Government and foreign governments.

Obtaining such cooperation, the sources said, is difficult because of a reluctance to cooperate by some foreign politicians, and by the fears and apprehensions of the State Department of just what the disclosures might do to American foreign relations.

The disclosures made public here so far have stimulated investigations by governments in Bolivia, Venezuela, Ecuador, Peru, Italy and Honduras into the political activities of American companies in these countries.

General Amin threatens to destroy Tanzania
From Our Correspondent
Nairobi, May 19

President Amin of Uganda today threatened to destroy Tanzania if President Nyerere succeeded in stopping the Organization of African Unity's summit from being held in Kampala in July.

He made this threat, according to Uganda radio, to a group of Ugandan and Tanzanian Army officers at Masaka, 30 miles west of Kampala, after he had toured the Tanzanian border on his way back from an official visit to Rwanda.

The radio said the Tanzanian officers had crossed into Uganda to meet the general. They told him President Nyerere was trying to ensure that the summit meeting did not take place in Kampala, as scheduled. He was in communication with the British Government in this matter, they claimed.

They said some Tanzanian ministers, who they did not name, had asked them to tell General Amin about the plan to assure him they did not support it.

Rising toll embarrasses Mr Ford

From Fred Emery
Washington, May 19

The gulf was today peeling off the success of the Mayaguez rescue operation as the White House was forced to protest that it was not hiding the bad news of the rising military casualty list.

President Ford was himself "puzzled", his spokesman said, over the delay in getting hard figures of American losses. The Pentagon today still was unable to provide Mr Ron Nessen, the White House press secretary, declared that Mr Ford had now given new orders to the military to expedite its tally of the losses.

The possibility that some of the Marine force was left behind on Koh island has not been dispelled by ambiguous statements at the Pentagon.

Mr Joseph Laitin, the chief Pentagon spokesman, said: "We are pretty certain that no one was left on the island." At the same time, he stated, no American bodies had been recovered and "international discussions" were continuing.

Mr Laitin said the revised

tally was 49 wounded in action, with five killed and 16 missing. The Pentagon suggested today that the real problem was the dispersal of the force, both among Seventh Fleet ships and to different points in the Far East, to facilitate the return of some of the Marines to Thailand.

This is being taken with some disbelief, at least by American journalists seeing that the operation was completed five and a half days ago.

The Ford White House, which, understandably, is very sensitive to any tarnishing of its "open" image, was quick to deny every suggestion that there had been any lying, or "new management".

A further disclosure by Dr Kissinger, the Secretary of State, while on the way to Vienna yesterday, was that the United States had contemplated using B-52 bombers against Cambodia if the air-craft carrier *Mayaguez* had not been within range of targets in time.

Dr Kissinger made the disclosure in a background aside to reporters on his airliner.

Moderate may replace rightists in Laos Cabinet

Vientiane, May 19.—The

Laotian Cabinet, dominated by the Marxist Pathet Lao since the resignation of two right-wing ministers, met today to discuss replacements.

Laotian radio said the meeting also discussed the replacement of two right-wing deputy ministers who resigned.

The resignations have left the coalition Cabinet of Prince Souvanna Phouma, the neutralist Prime Minister, with three right-wing and two neutralists as well as five Pathet Lao.

There was no confirmation of names discussed at today's meeting; but diplomatic observers considered that the replacements were likely to come from the Vientiane side, in accordance with the 1973 ceasefire agreement, and that they would be moderates acceptable to the Pathet Lao.—Reuters

£176,000 for car crash victim

Sydney, May 19.—A road accident victim said by a judge to have taken to drinking and ill-treating his wife and daughter since he was hit by a car, was today awarded damages of \$301,000 (£176,000), a record for Australia.

Mr Justice Taylor said Mr William Arley, aged 51, suffered multiple injuries, which had made him a paraplegic, and pain, misery and frustration would be his lot until he died.—Reuters

General Amin threatens to destroy Tanzania

From Our Correspondent
Nairobi, May 19

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They said some Tanzanian ministers, who they did not name, had asked them to tell General Amin about the plan to assure him they did not support it.

Mounting crime wave causes concern in Saigon

Saigon, May 19.—Housebreaking and robberies are mounting rapidly in Saigon causing concern to the new communist authorities. The increase in crime has been related to the number of jobless former soldiers of the old regime and civilians who have not been paid their salaries since the end of last month.

Motorized police have been joined by foot patrols moving about mainly at night to combat hoodlums known as "com-bos".

There have been reports of summary executions of thieves. One eyewitness saw the body of a man, dressed in flashy clothes, lying in a street near the presidential palace.

Residents said that the man was a would-be robber caught by a patrol. He was led away and shots were heard. He was shot in the temple and had several leg wounds.

The lawlessness has prompted the authorities to reimpose a curfew from 11 pm to 4 am. A left-wing Buddhist group

Ship rescue led to 'very heavy combat'

Suhle Bay, Philippines, 19.—American Marines, into more resistance, expected when they landed Koh Tang Island in the Gulf of Thailand last Thursday to free the cargo ship *Mayaguez* from the Khmer Rouge, a commander said here today.

"There was considerable exchange of hand grenades. There was very heavy combat. It was a classic battle situation in which our forces encountered heavy resistance on the ground", a tenant-Colonel Randall Ar said.

At a press conference at American naval base here said that three of the 230 Marine forces were wounded, many with minor injuries, another 13 were missing.

In New York, Dr J. Schlesinger, the Defence Secretary, put casualties for whole air-sea operation to the ship and 40 crew at dead, 16 missing, and 70 and 80 wounded.

Colonel Austin said there were about 25 casualties among an estimated Cambodian force of 150 on the island, he said he had no exact count.

The colonel said he did want to play down the casualties but regarded the action as a success. "We were able to land on the island. I like to believe that that was part of the overall effort and contributed to the success of the operation."

Major-General Ken Augustine, commander of Okinawa-based 3rd Marine Division, who was also at press conference, told a reporter: "At the risk of saying like a winner to morale it added an extra morale."

Colonel Austin said Marines landed from coxswains at various points the five-mile-long island. "We met more resistance than we expected. It was a very close engagement. We were very close to the enemy. We were very close to the enemy. We were very close to the enemy."

At the press conference were two Marines in uniform. They were on the island. They were on the island. They were on the island.

The *Mayaguez* today heading for Hong Kong. It was on the island. It was on the island. It was on the island.

Saigon, where it arrived Saturday after being off the island. It was on the island. It was on the island. It was on the island.

Captain Charles Miller, ship's master, has stated belief that the crew would have been saved without American actions, although said they managed to negotiate their release by persuading Khmer Rouge he was carrying general cargo and call the Americans to their military operation.

Hanoi leaders pledge union of Vietna

Bangkok, May 19.—South Vietnamese leaders said that North and South Vietnam would be reunited as the wish of President Ho Minh, Hanoi radio reported.

Addressing a rally in North Vietnamese capital Hanoi, Mr Pham Van Dong, Prime Minister, said that he was the last line of the late president's testament: "My mate will be that our people consolidate to create a struggle for a peaceful, united, democratic and proper Vietnam and properly contribute to the worldwide revolution."

The rally was held in honor of President Ho's birthday, memory of the man whose independence from the French and the founder of the revolutionary movement in Indochina.—AP

India and Pakistan fail to agree on overflights

From Our Correspondent
Delhi, May 19

India and Pakistan failed today to reach an agreement on the resumption of overflights, which were stopped in early 1970 when an Indian airliner was hijacked by Pakistan.

India's position was that Pakistan should withdraw its case before the International Civil Aviation Organization as a prelude to an agreement. But Pakistan did not accept this for fear of "adverse reaction" at home.

During the five-day discussions in Delhi, India relented and suggested that Pakistan should give a written assurance that it would not reactivate a case without India's consent.

One other subject discussed was the nuclear explosion conducted in India last year. The Pakistan delegation proposed a meeting of India, Pakistan, Nepal, Bangladesh, Burma, Sri Lanka, and Ceylon to discuss the use of nuclear energy for peaceful purposes only into a "multilateral guarantee".

Pakistan also proposed the littoral states should reach a direct agreement on making the Indian Ocean a zone of peace. India agreed to consider the proposal.

Gunmen fire on religious march

Avellino, May 19.—Gunmen opened fire from a speeding car at a religious procession at Capriglia, southern Italy, early today, wounding six people with shotgun pellets. There was no apparent motive for the attack.

At the town of Avellino nearby and also in Bologna, northern Italy, petrol bombs were thrown into the offices of the Christian Democratic Party.—Reuters

Nigerians held in inflation drive

Lagos, May 19.—Government price control officials have arrested scores of Nigerians dealing in scarce commodities in a renewed battle against inflation.

Among those arrested in various parts of the country for evading price controls were dealers in milk, beer, baby food, sugar and fuel.—Reuters

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Extension in West Bank increases Israel forces arrest Arabs in hunt for saboteurs

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tension in the West
ich is in the grip of a
small-scale terrorist

sections outside the walled
city's New gate but was dis-
mantled safely.
In the town of Atre, near
the Lebanese border, an Israeli
Arab farmer was killed
when a Dutch-made grenade
went off in his hands while he
was working on the roof of an
agricultural school. Police are
investigating whether the man,
who had been sent to bar the
road, was of a terrorist in-
surrection.
Inquiries are still being
made into an explosion which
injured 12 people at the Dead
Sea beach of Ein Reshka, near
Jericho, on Saturday, although
the cause of the explosion has
not been established. Many
have been released. Many were
picked up on the beach and
some helped to evacuate the
Israeli wounded, and give first
aid.
The increasing involvement
in subversive activities of
Arabs living within Israel's
1948 borders is causing con-
cern to the authorities. Police
have disclosed that one of the
Soparot arrested in Nablus
in Nazareth is the deputy chair-
man of a municipal council in
Galilee.
In the West Bank, the wave
of unrest and denunciations
coincides with friction between
Jews and Arabs in several
areas at a time when the
Government is again trying to
promote the idea of limited
civil autonomy. The two lead-
ing mayors of Nablus in
Samaria and Hebron in
Judea have shown coolness to

the proposal, and some others
have refused to discuss it at
all.
This can hardly surprise offi-
cials. Arabs in Samaria have
been angered by alleged settle-
ment attempts by religious
Jews near Nablus and Ramat-
lah. There is also resentment
in ramallah and neighbouring
Al-Birah over collective
punishments such as refusal of
trading permits.
The mayors of both towns
have called the West Bank
military Governor to rescind
these restrictions. Hebron's
mayor, Shafiq Muhammad Ali
Jabbari, who has in the past
been regarded as conciliatory
to Israeli rule, has twice in the
last week complained of pro-
vocation by Jewish settlers from
the neighbouring estate of
Kiryat Arba.
During the Jewish holiday of
Shavuot (Pentecost), he made
an official protest after a scuf-
fle at the Tomb of the
Patriarchs.
Mr Shimon Peres, the
Defence Minister, gave Shafiq
Jabbari an assurance that
order would be maintained in
the mosque in future. Soon
after this, the Hebron military
Governor was called to the
mayor's house after his
daughter had reported that
settlers on the way to prayers
had entered his garden, and
made threats against him.
The Governor arrived with
police but released the wor-
shippers after they said that
they were only resting on the
mayor's fence.

South African assistance to Frelimo disclosed in continuing exchanges with Liberia Mr Vorster seeks summit meeting with black presidents

By Leonard Buckley

The secret visit that Mr
Vorster, the South African
Prime Minister, paid to Liberia
in February was not the end of
his efforts to establish a
friendly relationship with
President Tolbert.
Stephen Tolbert, brother of
the President and himself
Finance Minister of Liberia,
who was killed last month in a
flying accident, was a central
figure in what happened after-
wards. He gave me a record
of the subsequent events, ask-
ing me to regard it as confi-
dential at the time.
Now, however, that he is
dead, it seems fitting that the
record should be disclosed, both
for the glimpse it offers of the
man Africa has lost and be-
cause it gives a clear picture
of the suggestion that Liberia
was seeking its own ends in the
contacts.

Representatives of South
Africa first approached Presi-
dent Tolbert last July when he
was on a visit to Lesotho. They
approached him again in New
York in November.
President Tolbert made it
plain that he could have no
dealings with Mr Vorster until
the South African Prime Min-
ister was in dialogue with his
own black leaders. When,
however, he was assured that
the dialogue had begun (the
concessions to black South
Africans on house ownership
are one result of it) he agreed
to receive Mr Vorster in Mon-
rovia.
He invited Chief Buthelesi,
leader of the Zulu homeland,
and Sam Ntsebe, president
of the South-West Africa
Peoples Organisation (Swapo),
to Liberia beforehand so that
he could be adequately briefed
for the visit.

Stephen Tolbert was made
responsible for the security of
the visit itself. Steve, as he was
always known, received Mr
Vorster and his party at the
airport, which he had ringed
with troops and closed to other
traffic. He then took them off
to stay overnight at his
house in the country outside
Monrovia.

The South African guests
were entertained graciously.
Carmen, Steve's wife, saw to
it that the visit was as com-
fortable as possible. Mr
Vorster's breakfast included
the pancakes he said he liked.
Steve, who found Mr Vorster
to be a man he could respect,
allowed himself just one
ironical comment afterwards.
The next morning he had
Vorster in his bedroom
and he remarked at breakfast
that he had been reading it.
That particular Bible, Steve
remembered, was bound in
leather. "It ought," he re-
flected, "to have been black."

After the usual exchange of
pleasantries he informed me that
he had been seen by Prime
Minister Vorster to me to express
personally the Prime Minister's
appreciation for the warmth and
understanding which he had
received from President Tolbert
and members of his Government
during his recent visit to Liberia.
and that the Prime Minister
wanted the President to know that
he considers the visit very
historical, very significant and
most fruitful.

He also wished the President
to be informed that within a week
after his return to South Africa
the Nico Malan theatre complex
in Cape Town, which is a \$20m
entertainment complex, had been
opened to all races, and that steps
are now being taken towards
achieving similar changes in
Johannesburg.

Prime Minister Vorster also
wished the President to know that
he is asserting considerable pres-
sure on Mr Ian Smith's Govern-
ment to try to achieve a cessation
of the fighting in order that his
troops may be removed from
Namibia. Mr Vorster is also aware of President



The go-between: A moment of relaxation for the late Mr Stephen Tolbert.

port he sent to President
Tolbert on March 1:
On Monday, February 24, I
received a call from Ambassador
Thomas in Geneva transmitting a
message from Prime Minister
Vorster expressing appreciation
for courtesies shown during his
visit to Monrovia. Ambassador
Thomas also informed me that
Ambassador Botha (Mr R. F.
Botha, South African chief
delegate to the United Nations)
had telephoned him requesting an
opportunity to meet with me in
London and asked whether he
could give Mr Botha my telephone
number.

I saw no harm in this and told
him he could. About four o'clock
that same afternoon I received a
call from Ambassador Botha from
South Africa. He requested an
appointment to meet with me in
London to deliver a message from
Prime Minister Vorster.

I explained to him that I was
scheduled to enter hospital on
Tuesday, the 25th but would
most probably be available by
Saturday, March 1.
At four o'clock on Saturday,
March 1, I received a telephone
call from Ambassador Botha from
London and he gave me an ap-
pointment to meet with me at
"Somerset" (Steve's house at
Wentworth, Surrey) at five
o'clock the same day, which
appointment he kept.

After the usual exchange of
pleasantries he informed me that
he had been seen by Prime
Minister Vorster to me to express
personally the Prime Minister's
appreciation for the warmth and
understanding which he had
received from President Tolbert
and members of his Government
during his recent visit to Liberia.
and that the Prime Minister
wanted the President to know that
he considers the visit very
historical, very significant and
most fruitful.

He also wished the President
to be informed that within a week
after his return to South Africa
the Nico Malan theatre complex
in Cape Town, which is a \$20m
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are now being taken towards
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Johannesburg.

Prime Minister Vorster also
wished the President to know that
he is asserting considerable pres-
sure on Mr Ian Smith's Govern-
ment to try to achieve a cessation
of the fighting in order that his
troops may be removed from
Namibia. Mr Vorster is also aware of President

Tolbert's insistence on indepen-
dence for South-West Africa and
his giving his fullest consideration
to this problem in the light of
his discussion with President Tolbert
in Monrovia.
Ambassador Botha explained fur-
ther that Prime Minister Vorster
had sent him to get President Tol-
bert's reaction and assistance in
the following matters:

1-In the light of his evaluation of
President Tolbert's leadership role
in black Africa he is soliciting
President Tolbert's assistance in
arranging for Prime Minister
Vorster to meet with President
Kenya, President Mobutu and
General Gowon as an initial step.
2-As a second step, for President
Tolbert to arrange for a group
meeting of President Kenyatta,
President Mobutu, General Gowon,
President Tolbert and Vorster any
place in Africa that would be con-
venient and acceptable to the black
African leaders. The purpose of
the meeting would be to exchange
views and consult together in the
pursuit of solutions to the prob-
lem of Southern Africa with the
ultimate objective of achieving
peace, unity and cooperation in
Africa—a solution that would be
acceptable to the black African
leaders and to Mr Vorster.

Ambassador Botha made it clear
that the Prime Minister is be-
lieving President Tolbert for his support
and assistance in this matter as he
feels that President Tolbert is
genuinely interested in the welfare
of Africa and is objective and
reasonable in his views. The Prime
Minister further feels that if the
political problems in Southern
Africa could be resolved the econ-
omic potential of black Africa and
Southern Africa could be achieved
to the benefit of African nations.
Prime Minister Vorster wanted
President Tolbert to be informed
confidentially that he is in contact
with Frelimo and is giving substan-
tial assistance to them including
large supplies of food because at
the moment there seems to be a
shortage as a result of disruption
by the Portuguese. He wants to
assure you that he will continue
this support in order to prevent
any situation that could result in
unrest.

He also wished that President
Tolbert be informed that officials
of the Government of the Central
African Republic have visited
South Africa and discussed finan-
cial and other assistance, which is
apparently being given favourable
consideration by the South African
Government; and that business
men and editors of major Nigerian

newspapers were at the moment in
South Africa having discussions
with South African Government
officials and private businessmen.
Ambassador Botha did not deny
that these discussions were in con-
nection with a deal being arranged
between Nigeria, Saudi Arabia and
South Africa for the exchange of
oil for gold.

Of course, the ambassador
indicated further that Mr Vorster
would be prepared to consider
favourable economic cooperation
between South Africa and Liberia
that would inure to the benefit of
both countries. South Africa seems
particularly interested in land-
rights in Liberia and is prepared
to consider such specific develop-
ment programmes as would be of
interest to Liberia.

In closing, Ambassador Botha
explained that it was the desire of
Prime Minister Vorster to make a
contribution to the public good of
Liberia, but he did not know how Presi-
dent Tolbert might react to this.

By March 7 Steve was in a
position to inform Mr Botha by
letter of President Tolbert's
reaction.

I have reported the substance
of our discussion to my principal
and I am authorized to give you
the following reaction:
He informed me that Prime
Minister Vorster does not wish
that further contact be made
through diplomatic channels but in
a more direct manner. He has
established such means of contact
through New York and South
Africa directly.

He informed me that Prime
Minister Vorster does not wish
that further contact be made
through diplomatic channels but in
a more direct manner. He has
established such means of contact
through New York and South
Africa directly.

thing spectacularly positive and
concrete to show that he is exert-
ing every effort within his power
to convince Africa and the world
of his sincerity in bringing a
change to the unsatisfactory
situation which now prevails in
Southern Africa....

"African leaders realize how
intrinsically the South African
Government has been in the past
and, accordingly, they now view
Mr Vorster's action with great
acceptance. This is the reason
why I continue to insist that some
meaningful change be evidenced
before I take the next step."
With reference to aid, I would
like to say that for the time being
we should carry out the Divine
Injunction: "First seek the King-
dom of Heaven and its righteous-
ness and all things will be added
to you." If by our efforts success
is achieved in solving the difficult
problems facing our brothers and
sisters in Southern Africa, then
and only then will be prepared to
accept the immediate benefits of
mutual interest.

"Nevertheless, I thank Prime
Minister Vorster for the offer, but
you can make it clear that we are
not interested in any material
assistance at this time."

Steve sent another message
to Mr Botha on March 7:
Please relay urgently the following
message to your principal from my
principal: "I have considered it
timely to suggest to you urgently
that you use your good offices to
prevail upon Mr Ian Smith not
to create barriers to solving the
genuine search for peace in
South Africa. I refer to the recent arrest
of the Rev Mr Sithole. As Bishop
Muzorewa has clearly voiced, it
appears to me that this act cannot
but create stumbling blocks in the
way of the ANC and the Rhodesian
Government authorities in their
genuine search for peace."
In view of our talks in Mon-
rovia which I can always cherish,
I am emboldened to approach you
and request your intervention and
to implore you to give your maxi-
mum contribution in removing all
barriers which are now being inter-
posed in the path of just recon-
ciliation in Zimbabwe."

Mr Vorster's reply to Presi-
dent Tolbert was telephoned to
Steve by Mr Botha on March 14:
I am sure you that I am doing
my utmost to remove barriers to
enable the parties in Rhodesia to
resume meaningful negotiations
and I have conveyed my own views
at the highest level to the Rho-
desian Government.

The message also quoted a
statement to Parliament by the
South African Foreign Minister.
Steve transmitted the message
to his brother and reported on
his telephone discussion with
Mr Botha:

In my conversation with Amba-
sador Botha I emphasized your
position that it is now their respon-
sibility to take such action as would
repair the serious damage done
to your efforts as the result of the
arrest of Mr Sithole.
He assured me that at the
moment the situation between
Vorster and Ian Smith is very criti-
cal. Details of which he could
not give in over the telephone but
that Prime Minister Vorster
wanted to assure you that he will
leave no stone unturned to remove
them and other barriers.

He realized fully the necessity
for supporting action from them
in order to strengthen your own
position among other African
leaders and assured further that
maximum efforts will be made.
This letter, starting "Dear
Bro Willie," was Steve's final
message from England before
he returned to Liberia. He
died on April 28.

lesinger ning barrasses Sadat

May 19—The climate
summit was overcast
by Dr James Schlesinger
rings that the American
to break any new Arab
ago.
an officials described
ds of the American
Secretary as tactless
mely. The semi-official
r Al-Akhbar head-
s report: "America
to the old tune of
to force."
Schlesinger's remarks
likely to embarrass
Sadat, already under
in the Arab world for
faith in American medi-
efforts in the Middle
East.
ers said that the
threat would increase
in the Arab world
the United States and
President Sadat's task-
force.
icate will meet Presi-
dent Salburg, Austria, on
2 and 3 is expected
basize that the Arabs
tolerate indefinitely
ent state of semi-peace
ael.
has been no public
so far, that the
night reimpose an oil
—which they enforced
of the 1973 Middle
—if there is no pro-
wards a permanent
nt.
he Arabs have said
that they regard such
argo as a legitimate
weapon. They have
d it with the American
economic blockade of
ian officials were
that Dr Schlesinger's
came at a time when
as been publicly coun-
moderation towards
md encouraging more
elements in the Arab
move towards peace.
ne help, one Ameri-
cial said—Reuters.

May 19—Mr
he Prime Minister of
paid a six-hour visit to
is today and later
to Amman. Govern-
ment sources said the
being taken to hospital.
The eight were arrested on
suspicion of being connected
with an explosion at the Re-
search Institute on South
Korean Economic Affairs on
April 19.
The police have been investi-
gating 10 other explosions start-

Opposition parties in S Africa to merge

Cape Town, May 19
Two opposition parties in
South Africa are to merge,
opening the way for what may
become a realignment of the
white political forces in the
Republic.

The merger is between the
Progressive Party, which has
seven members of Parliament,
and the Reform Party, with
five members who broke away
from the United Party, the
largest opposition grouping, in
February. The national execu-
tives of both parties have
agreed to the merger and it
is expected to be ratified by both
party congresses.

With the differences be-
tween the ruling Nationalists
and the United Party becoming
increasingly indistinct, the new
party is expected to be a rally-
ing point for white opposition
in Parliament only by Mrs Helen
Suzman, the Progressive Party
won seven seats in last year's
election, demonstrating its
ability to provide a viable oppo-
sition to the Nationalists.

The five Reform Party
members were on the left wing
of the United Party, and left it
or were expelled after a
lengthy battle with the tradi-
tionalists. Mr Ray Swart, the
national chairman of the Progressive
Party, said that he was "absolutely
satisfied" that the
agreement with the Reformists

had involved no watering down
of his party's principles. Mr
Harry Schwarz, the Reformist
leader, said that the merger
would enable the creation of a
"new political dimension in
South Africa".

The new party's policy has
not yet been stated but it is
understood to be unequivocally
against apartheid.
Taking into account the
advanced state of the Govern-
ment's African homeland
policy, the new party will be
committed to the view that
there should be a gradual im-
plementation of power in favour
of self-governing states, these
states should be geographically
whole and should not be
racially exclusive.

If the merger is completed
successfully it is likely to
create more defections from
the left wing of the United
Party while the ruling National-
ists may attract defectors
from the UP's right of the
Government continues to have
reforms which have
been set in motion during the
past six months.

Sir de Villiers Graaff, the
leader of the United Party, poured
scorn on the new
party's prospects today. He
told those who had given the
Reform Party their support
to withdraw it before it dis-
appeared "over the precipice
hundred splinter parties since
been the fate of more than a
into the oblivion which is
union".

Tokyo anarchist case man dies while being questioned

Tokyo, May 19—A 27-year-old
man, one of eight alleged anarch-
ists arrested today, died after
collapsing while being ques-
tioned, police said.

The arrests provided a start-
ling police for further investi-
gations into a series of bomb
attacks since the "Wolf"
police said. Five men and two
women were arrested in Tokyo
and another woman in Sendai,
northern Japan. All were aged
between 23 and 27.

Police said one of the men,
Nadokoshi, collapsed while
being questioned and died after
being taken to hospital.
The eight were arrested on
suspicion of being connected
with an explosion at the Re-
search Institute on South
Korean Economic Affairs on
April 19.
The police have been investi-
gating 10 other explosions start-

ing with a timbomb attack on
the Mitsubishi heavy industries
headquarters in Tokyo on
August 30 last year in which
eight people died and 288 were
injured.

An organization calling itself
variously "The East Asia Anti-
Japan Armed Front", "Wolf"
"Pang" or "Scorpion" has
claimed responsibility for all but
two of the explosions.

Other Japanese firms attacked
have included the Mitsui com-
pany and three leading construc-
tion firms, one of which is build-
ing a dam in northern Malaysia.
The April 19 explosion almost
coincided with a blast at a metal
manufacturing company in
western Japan which exported
to South Korea. Both the com-
pany and the research institute
received letters from "The East
Asia Anti-Japanese Armed
Front"—Reuters.

Miner killed in S African colliery riot

Johannesburg, May 19.—One
man was killed and 20 injured
when African mineworkers
rioted last night at a colliery
at Witbank.

Colliery workers were stoned
and a bakers' hostel set on
fire by a mob who died was
apparently suffocated by smoke.
About 100 Basotho miners
were involved in the hour-long
riot, a spokesman for the mine
owners, Anglo American, said
today. He could give no reason
for the riot, there had been no
inter-tribal clashes.

More than 130 miners have
died through violence at South
Africa's gold, coal and
platinum mines over the past
two years.—Reuters.

Correction

The caption of a photograph
which appeared in The Times
on May 14 incorrectly identified
Mr Teng Hsiao-ping, the Chinese
First Deputy Prime Minister.
He was standing on the left of
the photograph, not in the
centre, as stated.

Destinians pave the way to Geneva talks

Paul Martin
May 19
Leadership of the Pales-
tine Liberation Organisation
is expected to take steps
aimed at paving the
way for its entry into the
East peace actions.
The PLO has already accepted
a role of a Palestine state on
the West Bank and Gaza, but it
opposition from militants
a political price it would
pay to achieve it.
new move, which is to be
a meeting of the PLO's
Council, in Damascus.
it is confident that he can
through his proposals to
the Geneva conference
arise the aim of an in-

dependent Palestinian state. He
is counting on support from
Palestinians who have been liv-
ing under occupation, and the
support he has received from
this "vote" after the Rabat
summit conference decision.

At its last meeting almost a
year ago, the PNC set up the
framework of Palestinian par-
ticipation in peace moves and
the establishment of the Pales-
tine national entity. The
council was to have met again,
but the meeting was postponed
for fear of a widening of the
split between the moderates and
those who oppose any peace
moves.

Now the present council has
completed its three-year term.
Mr Arafat intends to use this
opportunity to inject the West
Bankers and those from Gaza
to swell the ranks of his sup-
porters. He is also able to point
to growing pressure from the
PLO's Arab and international
allies to take the necessary de-
cisions in preparation for the
reconvening of the Geneva
talks.

During his recent visit to the
Soviet Union, Mr Arafat was
urged to form a provisional
revolutionary government. This
he has refused to do. He pointed
out that this was a necessary step
for PLO inclusion in the Geneva
talks. They also promised im-
mediate recognition

Similar advice has been com-
ing from President Sadat of
Egypt, who has expressed to
PLO leaders his confidence that
once this happened the United
States would be willing to talk
with the Palestinians. Last
week, during a Palestine dele-
gation in Tripoli, Mr Abdul
Salamin, Jeddah, the Libyan
Prime Minister, declared in the
presence of Mr Arafat that the
PLO had come of age and must
now establish a revolutionary
government.

Mr Arafat and his colleagues
have been reluctant to
accomplish this because of the
political dangers involved. They
maintain that they would have
to commit themselves to mat-
ters of present and future aims,
and what would be acceptable
at Geneva would be political
suicide in the camps where the
guerrillas draw their most mili-
tary support.

However, it is clear that the
PLO is moving in this direction.
It became obvious when Mr
Arafat visited Moscow after the
Russian had publicly declared
their willingness to guarantee
the state of Israel inside their
borders before 1967. This prin-
ciple having been established,
Mr Arafat then accepted Soviet
support for the creation of a
Palestine state in the West Bank
and Gaza.

During the Moscow visit, Mr
Zuhair Mohsen, the head of the
PLO's military department, de-
fected from the delegation, de-
claring that the Russians had
made a great blunder in offer-
ing to guarantee Israel's secu-
rity.

More vociferous criticism of
Mr Arafat and his delegation
came from the radicals who
regard Geneva as a sell-out.
None the less, the support won
by Mr Arafat for the establish-
ment of a PLO authority on the
West Bank and Gaza, and for a
full and equal voice for it at
Geneva, has earned him a
measure of praise.

The moderates also are con-
cerned at the ambitions of King
Husain, despite his acceptance
of the Rabat decisions. During
the King's recent visit to Wash-
ington, Mr Arafat was seen among
the PLO leadership that he was
on the verge of some sort of
deal with Israel which would
cut them out.

Thus, in making his case for
a "courageous decision", Mr
Arafat can point to the dangers
involved in continued procrasti-
tation. Like President Sadat,
he will argue that it would be
reasonable to reject the unfurl-
ing of the Palestine flag on
one half, one centimetre of
Palestinian soil.



[From May 29]

New Yorkers will see the 'Homa', ancient Persia's legendary bird, five
times weekly on the tailplanes of Iran Air's all-Boeing fleet.
Our 'Homa' network now embraces places as far apart as New York, London,
Tehran, Peking and Tokyo. Ultra modern Boeing comfort and sky high standards
of passenger care are helping to make Iran Air one of the fastest growing names
in the airline world. Your travel agent has our latest schedules, or contact
Iran Air at 73 Piccadilly, London W1. Tel: 01-491 3656 or 17/25 Sloane St, SW1.
Tel: 01-235 8127/28.

New York, London, Paris, Frankfurt, Vienna, Geneva, Zurich, Rome, Moscow, Athens, Istanbul, Tehran,
Abadan, Baghdad, Kuwait, Bahrain, Abu Dhabi, Dhahran, Dubai, Doha, Muscat, Kabul, Karachi, Bombay,
Peking, Tokyo. Also sales offices in Beirut, Milan, Hamburg, Los Angeles and Houston.
ایران ایر

Fashion



Face to face with the scar on the soul

"They build rehabilitation centres for drug addicts and they pay people to go around giving advice on contraception. Yet these are self applied abuses. There's no money. It seems for research into the effects of disfigurement, though nobody asks to be born with a birthmark and nobody asks to get maimed in a car smash.

"The DHSS spends a fortune on seat-belt advertising, and telling mothers not to let their children play with matches, but what about care after the damage is done? The doctors cure the immediate hurt, but the secondary hurts, the hurts to the personality are not their concern—they're no one's concern because they're not terminal. The little girl cornered by the savage dog—her injuries are healed, but what about coming to terms with being ugly? Television has highlighted the increasing hazard of just such packs of wild dogs on housing estates, but who bothers about this child turning in upon herself or society because of how she

looks? And the injuries can be terminal. Many suicides are caused by quite trivial disfigurements. Perhaps it is people who are absolutely grotesque make one huge adjustment—or go under—but to be just slightly different from the rest is terrible. You keep thinking, why me? And you feel inferior. Society makes you feel inferior, even if it is not so much how society reacts to you as how you feel it reacts to you.

"It's very hard not to sense an anti-reaction when most people's first visual fix is so important. Think of a court; if you look young and sweet and innocent you're more likely to get off than if you look dark and saturnine and have a scar. It's natural process. When a baby is born badly disfigured it is just as important to teach the parents how to cope with that disfigurement as it will be to teach the child how to cover it up, because the attitude of the parents will colour that child's whole environment. Of course, camouflage cosmetics are important because they mean that the mother can take the child out without fear that the neighbours will stare, or pity, or think she ill-treats the baby.

"Parents' reactions are crucial—we had one little boy who tried to shave off his birthmark because he knew how much it upset his mother. But camouflage is only Sunday Best Clothes, something you put on because it is understandable to want to conform to ideas of appearance

in the world's eyes, but you have to be able to live with the fact of the disfigurement. One of the problems with the improvements in camouflage materials is that many people can really conceal their birthmarks or whatever. So now, instead of hiding behind the door, they hide behind their makeup, which is dangerous because even people who live with them do not understand how they feel inside because the marks are gone.

"It does seem strange that no one has costed the price to society of people who disrupt or reject that society because of a physical handicap. Yet we have found there are many case histories of adolescents, particularly—that is when appearance begins to matter so much—who are violent or disruptive because they feel themselves odd.

"Is it harder for a man than a woman to be disfigured now that women, with the Pill, have become so much more the choosers in physical relationships? Women have always had the advantage that it is accepted that they use all sorts of makeup anyway, but the attitude towards men wanting to improve their appearance has advanced. Just as it is now, at last, quite fashionable to admit that a lipstick can have a therapeutic effect on a neurotic woman.

"One of the most important things for a person with a disfigurement is to meet someone else who is similarly hurt, and for their

families to meet. They'll find they're needed by that other one. Being needed, as opposed to always needing, is tremendously important to self-confidence. We try to introduce families to each other.

Thus, much compressed and rudely translated, runs the philosophy which has kept Doreen Savage and her husband, Peter Trust, in work which has proved spectacularly unprofitable in the material sense, whatever its rewards to the spirit of these two dedicated people. After 12 years of struggling to reach across to people who are physically disfigured, not only by introducing them to new and quite original methods of actual camouflage but also by pioneer work in trying to bring such people to come to terms with their ugliness even when it is uncovered, after being dismissed as a mere beautician, after operating clinics in hospitals whose value the specialists so much more the choosers in physical relationships? Women have always had the advantage that it is accepted that they use all sorts of makeup anyway, but the attitude towards men wanting to improve their appearance has advanced. Just as it is now, at last, quite fashionable to admit that a lipstick can have a therapeutic effect on a neurotic woman.

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than a mere individual, the Trusts formed the Society of Skin Camouflage. Running it without help, writing, drawing and printing its monthly newsletter *Talkabout Camouflage*, which they see as a friend through the letterbox to all sorts of afflicted people but which from a circulation of 2,000 (remember postage and stationery costs) only boasts a quarter of that number of paid up subscribers, has demolished the small capital they inherited: I daresay it might well be argued that they are too idealistic to be provided, and that they regularly allow their enthusiasms to override their business efficiency. But then so too do most of the truly creative and original people I know: indeed, it is a criterion accepted in the textile trade that you get nowhere without management.

Should Doreen therefore join up with a drug house or a cosmetic manufacturer, both of which are now showing interest in what they see as a potentially profitable field—if the need for cosmetic camouflage becomes accepted, it could be on prescription from the DHSS, and customers could be spending £20 per month for ever.

But to be thus allied is, says Doreen, like having occupational therapists trained by the toy-makers. What pioneers ever had any professional backing anyway? Physiotherapists and osteopaths were re-

garded as just as fringe once, and think of all the areas of alternative medicine, from acupuncture to Roling, which are now practising.

Meanwhile, the NHS dispenses tons and tons of expensive antidepressant pills to patients who, who knows, are concerned by the strawberry mark on their cheek. Dr David Owen, who appears to have been uncharacteristically out of sympathy with Doreen, Trust's efforts has announced that from July women will be able to get free advice and contraceptives from most general practitioners. No cost to the nation was quoted in the report I saw for this service, which in any case, ranks in my book with the efforts of the textile industry to impose restrictive quotas on competing imports rather than grasp the nettle of recession.

I should have thought it was a cliché nowadays that contraceptive propaganda reaches everyone except precisely those who should not under any circumstances be reproducing. In fact, Professor Miller's letter to *The Times* last week made the terrifying point that we are now as a nation so biologically insecure that we are not even replacing ourselves.

Of course the calls on state money are endless, but must it always be so unimaginatively deployed? Must intervention in the textile trade always take the form of cries for protection once the situation, due much to our own incompetence, has

Above left, Doreen and Peter Trust in Perthshire. The conditions under which they are forced to work are more important work she is doing for the community is so anxious to serve. Above right, part of Doreen is covered with a birthmark.

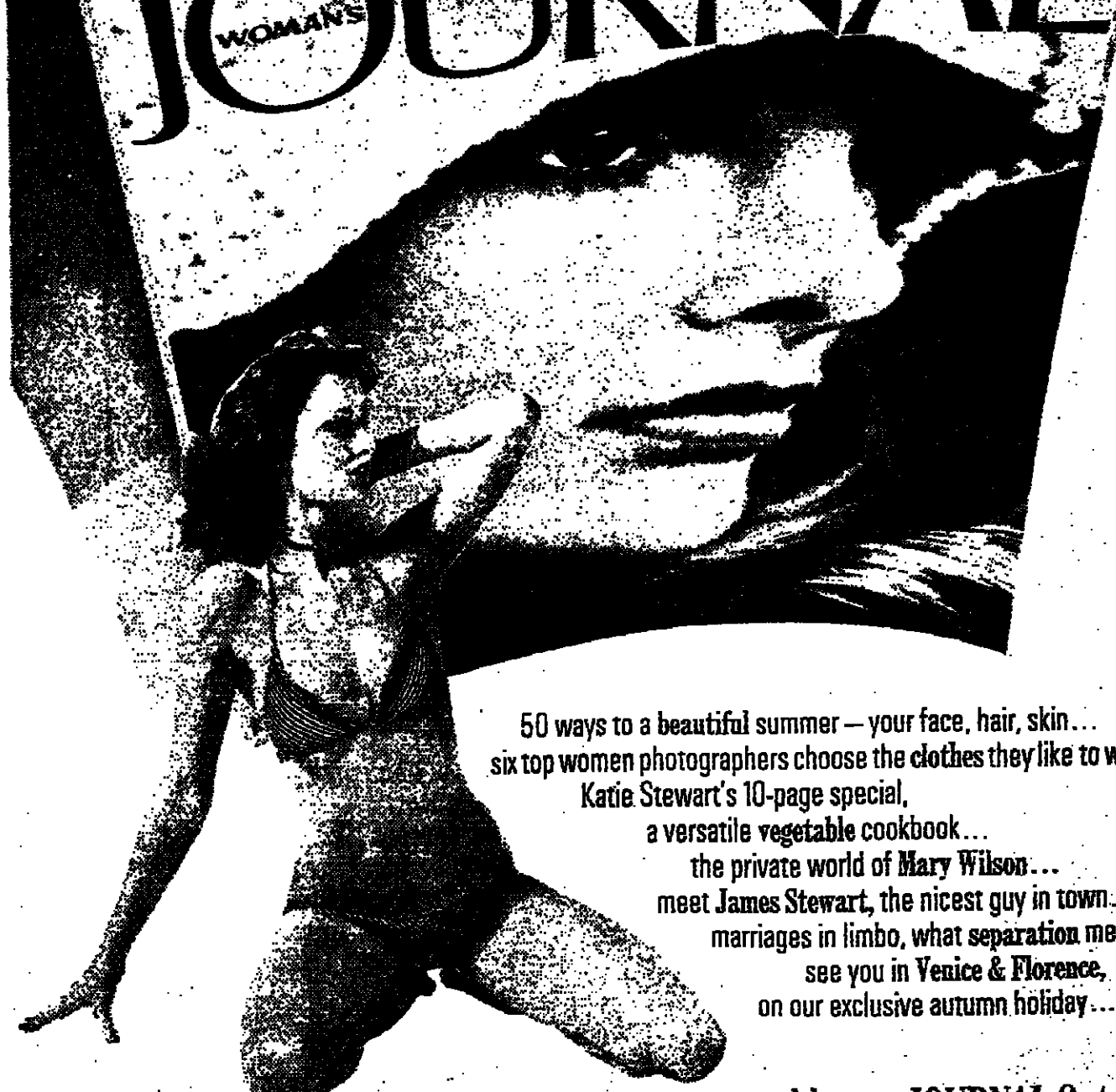
Photographs by Richard

deteriorated to an almost level.

Mr Deakin, I think it was saying on television, night that we should t Range. Royers and Leyls and tractors and high quali and fashions abroad; and we should, but you do creativity except with cre motion. Must the health serve only the healthy man medicine, never the entrep fringe? Must it in oth always be too little and never deal in prophylaxis; course unqualified to it Trust on medical grounds human ones, the ones on much of health depends, to remember anyone mor sive.

Anyone interested in the camouflage work of Dore Trust should write to telephone) at Wester Pitt Auchtermuchty, Fife, Scot please enclose a stamped envelope.

Captivating JOURNAL



50 ways to a beautiful summer — your face, hair, skin...
six top women photographers choose the clothes they like to wear...

Katie Stewart's 10-page special,
a versatile vegetable cookbook...
the private world of Mary Wilson...
meet James Stewart, the nicest guy in town...
marriages in limbo, what separation means...
see you in Venice & Florence,
on our exclusive autumn holiday...

For a woman like you JOURNAL Out now

Would the rest of the world please note?



More talent from Scotland—Christopher McDonnell this time, who with that unerring instinct for getting out and doing something somewhere else which seems to characterize Scots, has seen his fashion business grow from a small boutique affair to a major manufacturing enterprise owned by a group, Haw Par, whose personnel were originally with Slater Walker.

Christopher McDonnell clothes are manufactured now by Mandarin Textiles in Hongkong; indeed, they have been used to spearhead the new quality concept of the colony, and since the London showing in April they have been touring the world.

The great strength in McDonnell styling is in day clothes which are both luxurious and casual, that sort of international look which on the whole the competition on the other side of the Channel does better. These two outfits, from the autumn range, illustrate this quality of the carefully carved art of putting things together, which, however time consuming, is still the basis



of high fashion just now and are precisely the sort of high quality clothes which we could sell abroad... if only we knew we made them.

Details of clothes available in August from: Christopher McDonnell Showroom, 41-42 Eastcastle Street, London W1. Tel: 637-3

Photographs by Richard

Bring a little decadence into your affair

Experience the elegance of our exclusive lingerie. See the new season's collection in our colour catalogue. Send us 60p and we'll let you into our secret.

Janet Roger
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PARLIAMENT, May 19, 1975

British Leyland aid should help other sectors of industry

House of Commons

MR STANLEY (Torbair and Malling, C) asked when the Secretary of State for Industry would be announcing his detailed proposals for the implementation of the Ryder report on British Leyland.

MR BENN (Bristol, South East, Lab) must ask him to answer the question. He said that the British Leyland Bill which has been arranged for Wednesday.

MR STANLEY—Parliament is being asked in that debate to approve finance for one of the largest single commercial investments in the public sector without being provided with any information of the expected return on that investment.

Does the Government prefer to have the debate to give Parliament this information because without it we are being asked to arrive at a decision in the dark as to the crucial basis of the return?

MR BENN—I appreciate his point. As Government get involved in industrial matters we confront this question on how much can be done without damaging the firm concerned.

I do not claim every bit of relevant information will be available. We will do our best and if there are any pieces of information he would like and have not been published, I will look at them again.

But it is difficult, if Government is brought into this area, to find out such information through the satisfactory answer to the difficult question.

MR EDELMAN (Covey, North-West, Lab)—Pursuing the point that the future of British Leyland is of vital national interest and that, if however improbably, the British Leyland Bill might interfere with the implementation of the Ryder report, the British Government would have power to take such information through the Council of Ministers?

MR BENN—I must not enter into matters of legal interpretation but my understanding of the provisions of the Bill is that the Council of Ministers would have to be unanimous to override a Commission decision. Therefore, the United Kingdom Government

Need for long-term look at steel capacity

MR MICHAEL MARSHALL (Ardara, C) asked when the Secretary of State for Industry next expected to meet the chairman of the British Steel Corporation (Sir Monty Fimiston).

MR BENN—I met the chairman on April 28 and I am still awaiting a reply to my request, dated May 6, for a meeting with the Board of BSC and the unions.

MR MARSHALL—Is it not high time he stopped using the chairman of BSC as a whipping boy and turned the Government's attention to the vital question of deciding what is to be the investment programme of BSC, particularly as it affects Scotland and Wales?

The whole recent saga bodes ill for the future of the aerospace and shipbuilding industries.

MR BENN—I do not accept what he says. When the statements printed in the papers were brought to my attention and anxiety was expressed by the unions, I invited Sir Monty Fimiston to come to see me. At the meeting I asked him to consider carefully whether these statements were correct or he had been misinterpreted. Some important matters of public policy to him in a letter.

I had a response in which he confirmed the truth of the reports and commented on the

masters I had raised with him. I asked the union to look at these same problems and suggested a tripartite meeting after he had met the unions.

This was perfectly reasonable. The board of any nationalised industry must recognise that it has to have a good relationship with its own labour force. There have been jobs should be discussed with the unions and that the Government are bound to be concerned even if only because of the investment implications.

MR EDWARD TAYLOR (Glasgow, C) asked when the Secretary of State for Industry would be discussing the closure proposals of high unemployment in the Government's support of the proposals put forward by the board for work sharing, as opposed to plant shutting, if this reply to the question. There have been jobs should be discussed with the unions and that the Government are bound to be concerned even if only because of the investment implications.

MR BENN—The idea does not have wide support among steel workers. The main strength of steel workers lies in their working together within the unions. It would be a disaster if they were divided.

MR FLANNERY (Sheffield, Hillsborough, Lab)—There is deep feeling among workers in steel about the closure of plants. Last night at a meeting of 2,500 people in

Sheffield, that feeling was expressed.

There will be a lobby and a demonstration at Parliament today by people deeply concerned about the closure of the BSC (Sir Monty Fimiston). They are working themselves to death about the lay-offs, and they want to know what is happening.

MR BENN—I am this afternoon meeting some of the people who are coming to London. But I must be discussed between the corporation, the unions and the Government.

MR TOM KING, an Opposition spokesman on industry (Bridgewater, C)—Mr Benen referred to good relations between management and workers in the industry. Will it help to have this public meeting with people coming to London, at this delicate time, when management and unions are meeting?

MR BENN—The day that industry are frightened to meet constituents, Parliament will perish and die. Mr King has no business saying to an MP or a minister that he should not meet people who have come to meet their representatives to express anxieties.

There is just as much anxiety among management. In the steel plant there are many people who are skilled and unskilled jobs.

Union criticizes cut in regional programmes

By a Staff Reporter

A "dramatic" decrease in regional programmes put out by Anglia Television was criticised by the Association of Broadcasting Technicians (ABT) on the future of broadcasting yesterday.

Delegates from the Association of Cinematograph, Television and Allied Technicians (ACTAT) who were broadcasting a week only four to five hours could be described as regional.

That figure had been decreasing dramatically over the past five years.

The union expressed concern that the Independent Broadcasting Authority could construe the decline as a lack of commitment on the company's part to regionalism and that it might mean a swing towards centralisation. The consequences might be "very serious" both for the viewers and those

employed by regional companies.

Plymouth Sound, Britain's eleventh local independent radio station, began broadcasting at 5 am yesterday, leaving just more to come on the air by December 31.

Whether they will all stay operating by the deadline set by the Home Secretary, who wants all 19 stations to be up and running by December 31, depends on how much cash will be forthcoming from the Treasury.

South Radio Trent, serving the Nottingham area, and Radio Two, which is scheduled to begin next month, are also under pressure to meet the deadline.

The total gross revenue of the 10 stations in the region is estimated at £1.2 million this year, almost £2m.

Wilson pipe now has its niche in history

By Philip Howard

The Prime Minister came down to the East End last night to open Britain's national museum of Labour history in Limehouse Tower, a Victorian building which has been transformed into a museum of the working class.

Mr Wilson has presented one of his emblematic pipes for display in the museum, but not the famous clog in which he is said to have trodden on a Labour councillor.

The museum is happily situated in dockland, the heartland of the Labour movement. At Mile End, the road to the East End, the museum is a reminder of the working class's role in the history of the country.

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the trade union leaders of the Clyde Shipbuilders held the ceremony.

It is necessarily eclectic as folk, because of the nature of the subject, relying much on photographs, memorabilia, and the like. It is a collection of objects which are not only of historical interest but also of artistic interest.

The museum is the result of a decade of campaigning, and a amalgamation of other collections such as that of the Socialist School. Its founding father and curator is Henry Fry, a 68-year-old man who has been a Labour activist since 1921.

Mr Fry started work at the museum in 1960, and has since then been working to build up the collection. He has been a Labour activist since 1921.

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Sensible to continue to support ICL

MR TOM KING (Bridgewater, C) has a full assessment been made of the investment in British Leyland in what may not be a profitable venture, but which could have been made by those contractors finding their order books filled with British Leyland work?

MR BENN—The theory that there is always alternative, profitable employment if we can only chop out the unprofitable is a theoretical one. People do not easily move from one type of venture to another so we have to look at the light of what is practicable.

This country could not survive unless we are able to make our own goods. The Government has to see a huge influx of increasing numbers from abroad. The best assessment has been made.

The Government must decide their own timetable in matters of industrial rescue cases which may be affected by factors outside their control.

Secretary of State unaware of any jobs lost in Wales as result of EEC

MR JOHN MORRIS, Secretary of State for Wales (Aberavon, Lab), Welsh agriculture is fully protected. He will continue to do so in future.

MR IOAN EVANS (Aberdare, Lab)—The EEC is a disaster for Wales. It is important we get away from the politics of fear. Before we joined the EEC, people were not being dismissed. Now they are. With unemployment, the balance of payments, inflation, and other matters, it has been disastrous for Wales in the early years.

MR MORRIS—Mr Evans would not expect me to agree with all he said. It is important we establish the facts. The EEC is a disaster for Wales. It is important we get away from the politics of fear. Before we joined the EEC, people were not being dismissed. Now they are. With unemployment, the balance of payments, inflation, and other matters, it has been disastrous for Wales in the early years.

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Bill next session if local councils do not end selection in schools

MR SHELTON (Lambeth, Streatham, C), opening a debate on grammar and direct grant schools, said that the Secretary of State for Education and Science in seeking to alter fundamentally the structure of the school system, he has been building up since the passing of the 1944 Education Act.

He moved: That this House deplores the introduction of the rule by circular for the rule of law, and the reckless disregard by the Secretary of State of the harmful effects of his policy on educational standards.

He said there was growing concern about some educational standards. The introduction of the rule by circular for the rule of law, and the reckless disregard by the Secretary of State of the harmful effects of his policy on educational standards.

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Botanical watercolours sold for seven times estimate

By Geraldine Norman
Sale Room Correspondent

A group of eighteenth-century botanical watercolours on vellum, painted by the Dutch artist G. D. Ehret and James Bolton, was sold at Sotheby's for £12,750, a second lot, containing the first 46 volumes (1787-181) made £1,800 (estimate £1,000-£1,200).

Sotheby's also held an antique sale. The Norton Sir Foundation acquired several items, including a twelfth-century South-West Decan carved stone £1,900 (estimate £800 to £1,200). The Egyptian pieces, generally £2,000 to £3,000, were sold for £1,200.

At Christie's, bidding was set by a 16th-century Italian majolica and Continental pottery. A lustred Gubbio tondino of 1527, by Maestro Giorgio Andreoli, was sold for £1,800 (estimate £1,000-£1,200).

The auctioneer also sold a black stone head of a man of twenty-sixth dynasty at £1,000 (estimate £400 to £500). In a sale of 17th-century furniture, generally £2,000 to £3,000, the auctioneer sold a black stone head of a man of twenty-sixth dynasty at £1,000 (estimate £400 to £500).

which have marked time for so many years, seemed to be advancing again. A complete set of the Botanical Magazine between 1787 and 1811, containing 10,300 coloured plates, was sold for £12,750 (estimate £7,000-£8,000).

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Procedure must move with changing trend

MRS RENEE SHORT (Wolverhampton, North-East, Lab) asked when the Lord President of the Council had to improve working conditions for MPs.

MR EDWARD SHORT (Newcastle-upon-Tyne, Central, Lab)—A select committee under the chairmanship of Mr Van Straubenzee (Wokingham, C) is at present considering the general question of support facilities for backbenchers. The first report of that committee was published today. I shall with my colleagues be giving urgent consideration to those recommendations.

The conversion of the Norman Shaw North building has recently provided additional accommodation for some 130 MPs. The Services Committee will continue to work further means for improving the working conditions of the House.

MRS SHORT—There is great concern at the way this House is run. The way its business is organized and the tremendous amount of legislation pouring out from MPs, necessitating a large number of amendments. These are not full-time—80 to 90-hour week, not including weekend work.

It is taking a tremendous toll on the life and health of MPs. It is high time that a complete reorganization is done of the way in which the House is run.

MR SHORT—The large volume of legislation in this session flows from the manifesto on which Mrs Short and I fought the last two elections.

MRS SHORT—I am a five-year Parliament. (Laughter.)

MR SHORT—I agree that time has come when it is necessary to take a radical look at the way we

Parliamentary notices

House of Lords
Today at 2.30: Limitation Bill, report stage; Education Bill, report stage; Finance Bill, report stage.

House of Commons
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Religion to be no job barrier in Ulster

House of Lords

The Air Travel Reserve Fund Bill was read the third time and passed.

LORD DONALDSON OF KINGSBRIDGE (London, C) moved the second reading of the Fair Employment (Northern Ireland) Bill. He said that the Bill was to promote equality of opportunity in employment between people of different religious beliefs. It would be unlawful to discriminate on employment on the grounds of religious belief or political opinion. When two candidates presented themselves for a job with equal physical and mental aptitudes one of them should not be given preference over another simply because of his religion.

The Bill contained a mixed approach combining the voluntary with the compulsory, providing a means by which employment practices which breached the principle in the Bill could be altered and remedied either by conciliation or by compulsion through the courts. It made religious and political discrimination unlawful and provided machinery for remedy. It applied in the public and private sectors. It provided exemption for the employment of teachers in schools.

It was designed to deal with a difficult and delicate issue in the unique context of Northern Ireland. It would be foolish to expect that the Bill on its own would provide equality of opportunity for all in Northern Ireland. It would provide a lead and guide to a sustained voluntary effort.

LORD BELSHAM (C) said that the Bill in Northern Ireland becomes a matter of life and death. The possibility of a religiously motivated paper thin, but these proposals could tip the scales towards a better future. He read a second time.

Expenses for litigants who are not represented in court

LORD DENNING, Master of the Rolls, said that the Bill remedied a long-standing anomaly in the law relating to the costs of litigation in person. Every Monday morning there were three or four litigants in person who were locked out of her workroom. He had been locked out by the judge. She appeared to be a lady who had come to court and she was locked out of her workroom.

The practice of the courts for several hundred years had been that the litigant in person could not get anything except his disbursements.

I am glad to say (he said) that this Bill will remedy that anomaly.

It sometimes happened that a person with a reasonable case lost his case because he was not represented. He was not able to pay all the costs of the other side and the court had no discretion.

In recent weeks, a lady who had been standing on a street line lost her case and was ordered to pay all the costs of the other side. If he had gone to the court and asked for legal aid and got it, the court would have had a discretion to deal with it.

When a person was legally aided by statute his means and his conduct in the case could be considered and he could be helped with regard to mitigating the costs he had to pay.

The Bill was read a second time.

VAT on rented televisions

MR RICHARD MITCHELL (Southampton, Ichen, Lab), asked the Chancellor of the Exchequer under what contractual arrangements the 25 per cent VAT rate was payable on existing television rental contracts.

MR GILBERT, Financial Secretary to the Treasury, said in a written reply—The renting of a television set for hire is a supply of goods for VAT purposes. By virtue of sections 5 and 7 of the Finance Act, 1972, and regulations made under the latter section, VAT is payable on the rental of a television set at the time of each invoice under a rental contract (or at the time of each payment if an invoice does not pre-

Science report

Astronomy: Mercury's magnetic field

On March 16, the spacecraft Mariner 10 had its third and last encounter with the planet Mercury. The spacecraft has provided new details of the planet's magnetic field.

The biggest surprise is that it exists at all. No one expected Mariner 10 to find a relatively strong magnetic field around Mercury, but it did so at its first encounter, in March last year.

Because of the orbit followed by Mariner 10, it was not possible to visit Mercury at intervals of months; on the second encounter, last autumn, the trajectory was not such as to allow the spacecraft to study the planet's magnetic field.

But in March this year, when Mariner 10 visited Mercury for the third time, it passed close to the planet at high latitudes, in just the region where the magnetic field could be studied in detail. Those studies have now been completed, and the results published in *Nature* by the magnetometer team of the National Aeronautics and Space Administration (NASA).

The key question that remained after the confirmation that Mercury possesses a magnetic field was whether the field is still being generated by an active dynamo mechanism operating inside the planet, or whether it is just a kind of "fossil" magnetism, left over from a time when the planet was molten and the magnetic field was produced by the magnetization of Mercury's rocks.

The answer came from the fact that the magnetic field was measured on four times that measured last year from somewhat further away from the surface of Mercury, and

Administration

MR FRISUD (Sale of Ely, Lab) said that the Secretary of State for Education and Science had been asked to consider the possibility of a new system of selection in primary schools. He said that the Secretary of State had been asked to consider the possibility of a new system of selection in primary schools.

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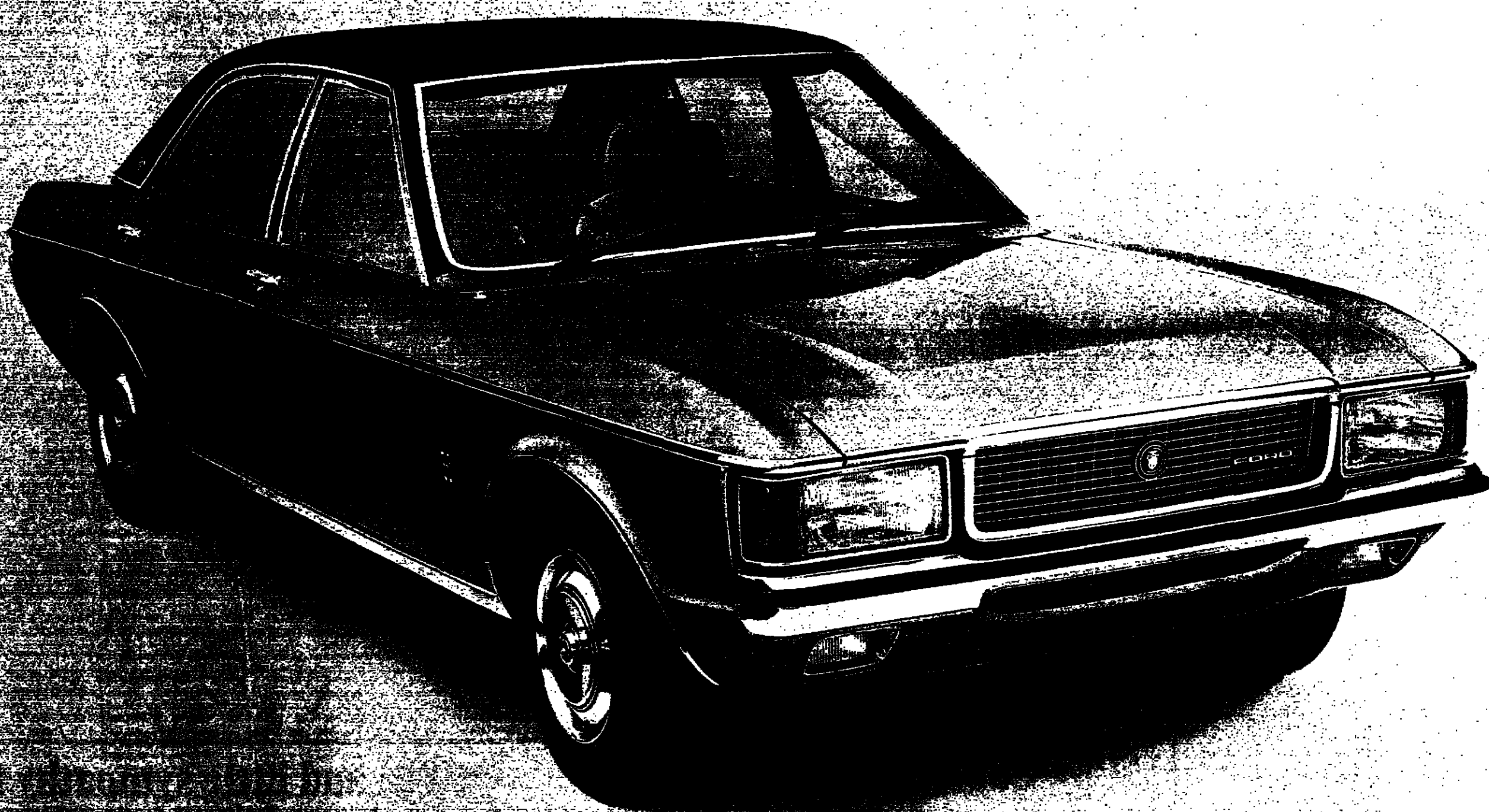
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It comes as a comfort if you have to sell the Rolls.

Life seems to be getting even tougher at the top.

A couple of Mayors we know have had to pension off their Daimlers.

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Better still, the Granada Ghia will save you money every time you drive into a garage. Ask 'Motor' magazine.

They tested the Ghia and some of its competitors and came up with these figures for overall fuel consumption.

Ford Granada Ghia, 19.4 mpg. Jaguar XJ6, 15 mpg. Fiat 130, 14.4 mpg. Mercedes 450SEL, 14 mpg.*

But to make these savings do you also have to make sacrifices?

Not as many as you might think. For a start,

you'll still be driving in an atmosphere of peace and seclusion.

The Granada Ghia's interior is lined with soundproofing. Then faced with the same cloth that covers the seats.

You won't be disturbed by a noisy transmission. The automatic is so quiet you'll have to keep an eye on the rev counter to catch it in action.

Nor will you have to forfeit deep-pile carpet. Or heavy underlay.

You'll still have door cappings and facia of real wood. Admittedly, it's not the stuff found in a Silver Shadow. But it is real walnut, from a forest, not a factory.

You'll still have performance.

Ford's 3-litre V6 engine will take you from 0 to 60 in just 10.5 seconds. Top speed, 110 mph.*

You may be wondering if the motoring press shares our enthusiasm.

'Autocar', rarely generous with its praise, had this to say in one of their Test Extras.

"By comparison with some other cars in a similar capacity class, the Ford Granada Ghia offers truly exceptional value and comfort."

We hope their opinion at least persuades you to take one for a test run.

If it doesn't, perhaps your accountant can.

GHIA 

Bernard Levin

Liquorice allsorts for pay day

I am open to correction, of course, but it is my opinion that a straight line is usually the shortest distance between two points. I also believe, and am only prepared to abandon my conviction on being shown really powerful evidence to the contrary, that parallel lines rarely, if ever, meet. Finally, exhaustive investigation of the matter has left me fully persuaded that in any right-angled triangle the square on the hypotenuse is equal to the sum of the squares on the other two sides.

In enunciating these principles I claim no great degree of originality in their discovery. Until yesterday, indeed, I would have said that most people who have dwelt on these things for any length of time have found themselves of the same mind. In fact I would hardly have troubled to raise the subject, had it not been for the fact that Mr. Fisher, General Secretary of the National Union of Public Employees, appears to reject all three conclusions, and for speed measure to pursue the water flows downhill, that Christmas comes but once a year, and that in the late Ernest Hemingway's memorable words, if time aunts had colonies she would be thin as a needle.

All of our resources, all our strength

Mr. Fisher's vigorous assertion that twice two equal five was made in the course of a speech launched by his union's annual conference from which the delegates will return home having settled on a claim for a pay increase of 33 per cent. His union's members, he declared, will fight any reductions in Government spending. If these threaten their jobs or wages. In this fight, he said, "we will use all of our resources, all of our strength and all of our determination", and he made it especially clear that his union would have no part of the thinking behind Mr. Anthony Crosland's revelation that "The party's over", and that local authority spending will have to be reduced.

But whatever Mr. Fisher's views on the question, it remains true that circles, round and rectangles oblong, and that when Galileo dropped the stone off the Leaning Tower of Pisa it fell down, not up. It is, of course, possible for the Government to pay every member of the National Union of Public Employees their wages every week whether there is any work for them to do or not, and to pay them, moreover, not in liquorice allsorts but in perfectly genuine pound notes. Indeed, that is precisely what the Government has done in the docks and intends to do at British Leyland, and Mr. Michael Foot has just given a commitment that they will continue to be employed by the British Steel Corporation even if they are not called upon to make steel because there are no customers who want any. But even the least bright member of Mr. Fisher's union will begin to notice that his wages might just as well have been paid in liquorice allsorts for all he can buy with them.

Whatever the causes of inflation, and whoever the causes, it cannot be denied that the cure must involve a diminution of the amount of money sloshing around in the system without production to match it. (Though even the production is no use in itself; if it were, there would be nothing wrong with employing Ebbw Vale steelworkers to go on making steel that nobody wants to buy, and to draft further workers into the area and employ them to throw the steel thus made down holes in the ground, dug by still more workers employed specifically for the purpose.) That being so, the Government, in the person of Mr. Crosland, has made it clear—or, to be precise, taken great care to avoid making it

clear—that the rate of increase of local government expenditure is to be reduced, and that the Government will use its financial powers to see that it is.

To this, Mr. Fisher replies by, in effect, doubling the fourth and fifth fingers of his right hand into his palm with the thumb pressed across them, and simultaneously extending his index and middle fingers, slightly parted, with the knuckles facing outwards, accompanying the gesture with a sound made by expelling air from the pursed mouth while vibrating the lips rapidly.

And if he thinks, as he clearly does, that that is sufficient answer, let him reflect on another aspect of the situation. Suppose that, faced by the resolute opposition of Mr. Fisher and his followers, the Government gives in (this is, as a matter of fact, what is most likely to happen), and agrees that local authorities may after all go on increasing their expenditure to their hearts' content. Suppose, further, that they make no demerit to the claim for an extra 33 per cent in wages, and that, entering fully into the spirit of the thing, they freely offer a rise of 40 per cent, backdated to the passage of the Local Government Act 1933. (Mr. Michael Foot: "This is well within the terms of the social contract.")

Now I have it on the authority of no less a figure than Dr. John Yudkin, Emeritus Professor of Nutrition in the University of London, that a diet confined exclusively to liquorice allsorts is insufficient to sustain life for long, and that even before death supervenes, a number of very unpleasant deficiency diseases are likely to make themselves felt. So Mr. Fisher must answer this question: if the local authorities who employ his members become, in time, literally unable to pay any wages because there is no money, and the Government steps in to pay those wages in money which will buy nothing, is it not possible that, after all, Tuesday does come before Wednesday in any one week, that there is a man who ever managed to make the sun stand still was King Joshua, who had support from a source considerably more powerful than the TUC?

Walking calmly to the exit

Nobody is asking the National Union of Public Employees to abate their demands for the country's sake, and nobody expects them to do so. After all, Mr. Gormley, for the miners, has just said in so many words that he and his members do not mind who gets hurt provided they get money. Very well: it is to nobody's interest to shout "Fire!" in a crowded theatre, but once somebody has done so it is to everybody's interest to get out as quickly as possible. But the analogy is horribly exact, for if, in a burning building, everybody walks calmly to the exit, without pushing or kicking or trampling on others, all will be safe, even if, as it were, a stampede takes place, nobody will get out alive. It is perfectly possible to make water flow uphill for a short distance and for a short time: but not for long. For long, that shall it profit the National Union of Public Employees if the loud mouth of their leader shall next week increase their wages by 33 per cent, and there is a general strike of continued unemployment for all of them, if by next winter half of them would be glad to have any wages at all, and the other half would be glad if the wages they do have will buy anything that they can eat or wear or warm themselves at?

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Lord Hailsham concludes his examination of Parliament and the law

The case for a new, written constitution

It would be desirable to limit the rights of one group holding the rest to ransom over wage claims

established assumptions of parliamentary democracy.

The first of these is the inability of Parliament to cope with the ability of relatively small groups especially in the nationalised industries to exert virtually everything it wishes to demand by bringing the whole structure of civilised life to a standstill, either nationally or in a local community. To my mind this is by far the most potent factor in our current inflation.

The second of these is the failure of Parliament to meet the legitimate requirements for local democracy in Scotland and Wales, and it may be in the English regions. So long as the business of government was severely limited as it was before 1939, these feelings of local frustration, even when based on a regional nationalism, were dormant; indeed had no effective popular appeal. But the business of government is now so all-embracing, and the power of the individual or the local community so small in relation to it, that separatist tendencies seem to me to command a support quite disproportionate to the real merits of their political programme.

This brings me to the third, and it may be the most important, of the three questions, the inability of Parliament to respond to the need to protect the individual groups against decisions of the executive.

Given that these questions are unresolved and given economic conditions likely to create a chronic emergency situation, it does not seem to

me to be impossible any longer to disregard a constitutional change of a more comprehensive kind than has been seen since the Hanoverian succession, and it becomes incumbent on those who believe in constitutional continuity to seek to devise a scenario which could create such changes without resorting to force, and without over-turning the fundamental institutions of the realm, by which I mean, the Crown, a bicameral legislature and an independent judiciary.

Obviously, the instrument by which such a change is effected would have to be an Act of the Sovereign Parliament itself. But it is clear that no such Act could be passed without a great deal of preliminary work both inside and outside the parliamentary process.

There was a moment during the 1966 Parliament at which Mr. Wilson's Government seemed about to envisage the possibility. This was when it appointed the Crowther (later the Kilbrandon) Commission. But the terms of reference of that Commission were unduly restricted, and its proposals limited to the provision of an advisory consultation for Scotland and Wales. To my

mind, only an approach to the whole of the United Kingdom would be adequate to produce a result comparable with the need.

The need so envisaged is for nothing short of a written constitution for the United Kingdom to which I would hope the Channel Islands and Isle of Man might be prepared in some measure to adhere, though this adherence would not be necessary to its success.

Under the constitution, the legislative power of Parliament would be divided and restricted on terms not very different from those in fact accorded to Ministers for 50 years up to the year 1920, but supplemented by the provision of a legal and judicial machinery adequate to enforce devolution.

The rights of the individual and the minority group would have to be protected by entrenched provisions both against local and national authority, and the right of Parliament to amend the constitution or to override the provincial legislatures on matters within their devolved authority would have to be limited and defined.

Excellent as the present House of Lords is in many ways, it would need to be replaced by an elected body representing regional or provincial units, and such a body would have to have extended powers effectively to limit attacks on human rights or provincial autonomy.

The existing structure of Crown Cabinet Government at the centre and a bicameral legislature would be retained. The electoral law would be for discussion. There would be no regional or provincial monopolies extending nationally in the industrial field, and in the public sector regionalisation would be preferred unless strong operational reasons made a nationally owned institution essential. The whole edifice

would have to be crowned by the law enforced by a Constitutional Court with separate divisions for the different parts of the realm and ultimate appeal to whatever replaces the present House of Lords.

It is also desirable that a situation contained some provision limiting the rights of groups within the public sector to hold the rest of the community to ransom in order to enforce industrial claims.

There would have to be a written constitution in two stages. The first would be for the creation of a commission with terms of reference to take evidence on the situation, and to make a preliminary draft constitution in delivery of its report which, in the first place, should be in the form of a Working Paper.

There would then have to be an interval for discussion, perhaps an opportunity for a commission to draw up a final report with a draft constitution in final form.

Finally, there would have to be an Act of Parliament. Let the referendum process would not doubt see in the fact an opportunity for a referendum on a step towards introduction of the Bill for Act to give it greater authority when passed.

The Act would have to contain special procedures for amendment of the constitution, and a step towards the amendment of the Constitutional Act. It would view the whole project taking a minimum of five and, it is hoped, a maximum of ten years from its inception to its conclusion.

At the close of play should retain our traditional institutions of the Queen Parliament, but in a new form with the powers of a national written constitution.

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Why Labour's attitude to Israel irritates the Arabs

The attitude of the British Labour Party to the Middle East conflict has long perplexed and irritated Arab socialists. For them it is as self-evident that Israel is a settler-colonialist enterprise in Rhodesia, as it is that the Labour Party represents the anti-imperialist side in British politics. Why then, they ask, has the Labour Party so often, and especially since 1967, shown itself more sympathetic to Israel and less friendly to the Arabs than the Conservatives?

The question is constantly put to British visitors in Arab countries, and no doubt with special insistence to visiting Labour MPs—most of whom, in the nature of things, come from the minority in the party which disagrees with the general trend. It was this minority which in 1969 forced the Labour Middle East Committee (LMCEC). Its chairman, David Watkins, MP, has set out to answer the awkward question of his Arab friends in a pamphlet published today, which contains 30 pages to trace this history of Labour's involvement with Zionism.

Shortage of space has obliged him to treat his material very selectively, and he has perhaps concentrated too much on the period before 1948. He deals in some detail with Mr. Sidney Webb's attitude in 1929-31, to protect the rights of the Palestinian Arab population, and describes how this was followed by the Labour Zionist campaign in which Mr. Harold Laski played an important part. He also has a lot to say about the hate campaign against Mr. Ernest Bevin in 1945-48, and disapprovingly criticises about Bevin's approach to the Palestine problem really was, who in the Labour Party supported him, or how far Zionist pressure succeeded in modifying his policy.

On the 1936 crisis, he confines himself to the statement that "Labour resolutely opposed the Suez war, without examining the ambiguous division of the people in the party towards Israel's role in that war."

When he comes to the events of 1967 and after, he

devotes more space to recapitulating Israel's misdeeds and mistakes and their effect on world opinion than to isolating specific factors which affected opinion within the Labour Party. Thus the overall position is of a party "infiltrated" by Zionism in its early years (an unnecessarily loaded word for the affiliation sought and obtained quite openly by Poale Zion in 1920, one might as well say that Labour was "infiltrated" by the cooperative movement) and only now beginning to be emancipated from its influence.

The reality is surely more complex. A clear distinction needs to be drawn between attitudes before and after 1948. Before 1948 it made some sense to describe a British politician as pro- or anti-Zionist, for Zionism then was a political movement seeking to achieve its aim of a Jewish state in a territory then under British mandate. It did obtain a great deal of support in Britain, especially in the 1940s because of the feelings of sympathy and solidarity aroused in the British public by the fate of the Jews in Nazi-occupied Europe.

The Labour Party prided itself on being both compassionate and anti-fascist, and relatively few of its members were well-informed about events and attitudes in the Middle East. Its support for Zionism is therefore not particularly surprising, and certainly not exclusively attributable to the influence of the Zionist Labour movement (Poale Zion) within the party. Moreover: it can hardly be denied that in spite of all these factors the 1945 Labour Government was more resistant to Zionist pressure than any other British Government before or since.

Since 1948, however, the picture has taken on a quite different aspect. On the one hand Britain is no longer directly responsible for the affairs of Palestine. On the other, there is a state of Israel, with full diplomatic relations. So far as known, the Labour Government has not attempted to abolish this state or even sever diplomatic relations with it.

In a sense, therefore, "we are all Zionists now". The problem is not whether the Jewish state should continue to exist, but whether support for its existence should be support for its government. The phenomenon which needs explaining is the large number of people in the Labour Party who apparently believe that it does. Again it seems unlikely that the key factor in this is the fact that many of the people who recruit into the party are Jewish Labour MPs, especially those of the younger generation.

Much larger, and more influential in the PLP is Labour Friends of Israel, to which many non-Jewish as well as Jewish MPs belong. Why? In many cases, because they have been to Israel or minority contacts with the Labour Party there, and have found its ideology and atmosphere congenial. Again, why? Precisely because Israel, and especially the Israeli Labour movement, is in many respects a western society, sharing western political traditions, a western lifestyle and something like a western standard of living. In the Arab world there are not always such short cuts to mutual understanding.

In any case most Labour MPs, especially before 1967, had no contact with the Arab world, whereas they were almost bound sooner or later to have some contact with the Israeli Labour Party. Mr. Watkins mentions that Poale Zion was three times refused affiliation to the pre-1914 Socialist International, but surprisingly does not say anything about the ship of the present day Socialist International, which has surely been very important—both positively, in facilitating contact between Israel and European socialists, and negatively, because Arab socialist parties felt unable to join an international in which the ruling party of Israel was a full member.

Labour and Palestine, published by Labour Middle East Council, Room 105 Grand Buildings, Trafalgar Square, London, WC1. Price 20p.

Edward Mortimer

Tea and little sympathy for the pickers in Ceylon

Writing in 1900 about the notorious "lines" on Ceylonese tea estates, H. W. Cave said: "Each compartment accommodates about four coolies, and it is obvious that they do not enjoy the luxury of much sleep. But their idea of comfort are not ours, and they are better pleased to live huddled together upon the mud floors of these tiny hovels, than to occupy superior apartments."

Sentiments such as these are possible for the conditions described in the report last week to be perpetuated for nearly a century, virtually unchanged. As a working system, the tea estate is one of the most inhuman ever devised. It is a sort of total institution, like a jail, a hospital, where people are born, educated, work, live, marry and die within perpetual sight of the crop that is their livelihood and their torment. Daily existence is as regimented as an army camp, with a breakfast before breakfast and three times a day going to have the plucked leaves weighed.

The facts of housing are by now well known: 90 per cent of the estate workers live in rows of cells, usually 10 feet by 12, known as lines; 40 per cent of them live in substandard back-to-back lines, with windows at all in the cramped inner room. Three quarters of the dwellings are less than 230 square feet, and half of them have no roof. The increase of population has led to a further crowding, and the estate workers are now packed at 150 per acre, with 15 per acre having to share the same kitchen fires. The crowded latrines were 50 yards away up a leech-ridden path.

Most families live at practically no cost, and were spending their entire income on food (though 60 per cent even of the average Ceylon family's expenditure goes on food). At Lang-

dale estate, belonging to the Bearwell group, Purana Supaya, aged 37, showed me what his wife and three young children had for their meals: in the morning, a small piece of unleavened bread; for each person, a cup of tea with a little sugar, and on special occasions, a vegetable curry.

Once again, the burden of poverty is uneven. It weighs hardest on families with children too young to work, and on the weak and the sick. In Kandy general hospital, I saw a girl of 13 dying of advanced protein-calorie malnutrition. She had had no solid food for three weeks, and had only a few drops of milk. Her father was dead and her mother, a widow, was a beggar. But there is no denying that estate health is worse than in the rest of the island. Death rates shot up from 11 per 1,000 in 1973 to 18.7 per 1,000 in 1974.

The most common causes of death among adults are anaemia (due to a poor diet); chest diseases (labourers work outdoors even in heavy rain); and emphysema. These conditions are found on British estates, state plantations, co-ops and Ceylonese owned estates alike.

The picture is not quite so uniformly bleak as Granada would have us believe. But it is bleak enough. Would it help if we paid more for our tea? Brooke Bond, as an internal exercise, calculated that an increase of 6p on the British price of a pound of tea could double the estate wages—but only on the assumption that all Ceylon's tea came here, and that the whole increase was passed on to the workers. In reality, British share of Ceylon's tea exports is now less than 16 per cent. The Arab countries now take more than we do, and Pakistan alone with 15 per cent last year, is rapidly rising to ouster the British. The prospect of the Sinhala or Buddhist peasant to pay more for his tea so wages in Ceylon can rise seems remote indeed.

Largely unnoticed in Britain, the Ceylon Government published, at the end of last month, the report of its official commission on agency

houses. Most British-owned estates are managed by largely British-run firms, grow, sell, buy, blend, and export tea on behalf of their clients. Agency estates produce 62 per cent of the tea in Ceylon, the rest is produced by small-scale tea growers. The United Nations, in power, pronounces their election manifestoes "control the agency houses".

The commission's report, which was published in the picture of health, housing and education in the Ceylonese half the agency run as were being run on sound cultural principles.

Under the terms of report, most British-owned tea estates will be owners in name a powerful factor in fact, but they will be forced to sell, depressed market, to the buyer on the scene: the Ceylon government, Henry de Mel, chairman of Harrison and Fields, one of the leading agencies, has no doubt the report will be implemented and Ceylon's tea industry will be in the hands of British interests in Ceylon.

There are certainly a number of Ceylon in this course. Tea is a very perennial commodity. Between 1972 and 1974 the price of tea rose from 190 rupees a pound to 264. Ceylon's foreign exchange through production had fallen. But has just not kept pace with rise in world prices. Generators were 261 a pound in 1974.

The future for Ceylon tea is uncertain. The International Tea Commission, Dr. Colin de Silva, is in increasing tea ductivity by a heavy programme of replanting, converting much tea acreage to production of fruit vegetables, rice or dairy. But the main tea industry is firmly in Ceylon's hands. Fortunately, there is a sign that they intend to let it, and that they will no longer be the distressing condition on the tea estates to continue.

Paul Harris

The Times Diary

Everything in the garden is lovely

Gardeners say that, if the sun shines on the press day of the Chelsea Flower Show, it will stay fine until September. Moreover, the cost of living will decrease, the pound will rise on the foreign exchange markets, England will win the Ashes and the referendum will result in a massive victory for the forces of good.

We are therefore in for a splendid summer. So magnificent a day was it in London yesterday that I walked three to five or so through rustic Nias Elms and Battersea to the Royal Hospital, where exhibitors were working in their shirtsleeves to prepare for the first (members only) day tomorrow.

The comforting thing about the Chelsea show is that, from year to year, nothing much changes. Enterprising exhibitors still bring in glamorous show-business to get photographs of their stands in the newspapers.

Nana Mouskouri, the Greek singer, was there having a white floribunda rose named after her (because one of her best known

songs was called *The White Rose of Athens*). Susan Hampshire, who had a rose named after her last year, was this year being photographed gazing at plants in a greenhouse, to promote "a remarkable breakthrough in greenhouse design".

From year to year, too, exhibitors complain about the climatic conditions which made it hard to bring their exhibits to a proper state for the show. The notes given to reporters are full of apologies about things that are not quite as they should have been.

Begonia enthusiasts will be disappointed at the non-appearance of two new varieties from Blackmoor and Langdon of Bristol. The weather delayed their planning for a fortnight, and they will be ready until next week. Two rose growers and a sweet pea specialist were forced to pull out entirely. The note on the exhibit of Mrs. Desmond Underwood of Colchester is desperately poignant: "With the warm January and February everything was

ahead of station, but with the cold of March all growth seemed to cease. Then a sudden warmth caused bolting and her plants have needed refrigeration."

I went to Mrs. Underwood's stand to discuss this drama with Peter Fenn, her manager. Fenn has been exhibiting at Chelsea for more than 30 years and views it all philosophically. "You always have trouble," he said, firmly the compost around some pretty rock plants.

On the stand of the National Association of Flower Arrangement Societies, a dozen or so women and one or two men were creating an ambitious display, using basic flower arranging techniques (short ones at the front, tall ones at the back). The theme is historical, representing periods from ancient Egypt, through Byzantium and the Georgian era to the present day. "It's a remarkable exhibit," says the press notice, "as far as is known, never before has been seen," and I can easily believe it.

Because of rising food prices, this is supposed to be the year of self-sufficiency, of growing your own food and vegetables (and regular readers will know I am trying to do just that). Yet vegetables impinge only slightly. One exhibit which is supposed to show how decorative a vegetable garden can be shows only that vegetables

grown in straight lines look like vegetable rows in a straight line, in spite of attempts at embellishment by miniature copy.

The best way to display vegetables remains to pick them and make montages out of them. The National Farmers Union has done great things along these lines, with marvellous heaps of cauliflowers, spring onions, radishes and rhubarb, so impressive that they were in charge being interviewed by a reporter from a BBC arts programme.

Lord Aberconway, President of the Royal Horticultural Society, gave substance to the theme of self-sufficiency by making much the same speech he makes most years. Fred Peart, Minister of Agriculture, made a joke about football—which seems to be compulsory for members of this Cabinet—and recited a strangely rude limerick about a woman who ran off with a Saracen. I have always thought that the most cordial people anywhere, and this view was supported when Aberconway thanked reporters for attending the function, and the lunch guests applauded. In my many years in this business, I cannot recall the press ever having been applauded for anything. My sense of well-being was complete.

Two random statistics from the Chelsea show. "Every minute 14 acres of rain forest are being lost," which is probably not of much interest. And "70 per cent of domestic grating is now undertaken by women," which is interesting but probably untrue.

Cheap

Lambeth Council's Consumer Advice Centre in Brixton entertained four people to a luncheon yesterday. The price was 10p, and the menu was to launch a new service to the public, the fortnightly publication of "purse-stretcher menus" to help local housewives fight inflation and feed their families an easy and balanced meal for four for less than £1.

The service is the idea of one of the staff, Jenni Morley, who devised the menu and did the cooking yesterday. She served up minestrone with peas and sour vegetables and battered noodles, followed by chocolate mousse. The chairman of Lambeth consumer services committee, who was one of her guests, announced it excellent and filling.

A representative of Age Concern agreed but thought the chocolate mousse a bit luxurious. Some pensioners

would not be able to whisk up the eggs.

David Davies, the food values consultant from the Department of Prices, said the meal could have been cheaper still. "The recipe uses carrots and celery, which are between 50p and 60p a lb, rather expensive at the moment. And as most of us are not on new potatoes yet I would rather have had vitamin C than chocolate in the dessert."

Like the others Pat Carroll, a local housewife of 70, pronounced herself delighted and satiated, but she too had reservations. "I think my husband would just about eat the minestrone," she said doubtfully, "but I do not think the boys would touch any of it. Any normal children would love it, but mine won't even eat hamburgers, fish fingers or baked beans." She would have to go on filling them up with wholemeal bread, home-made marmalade and fresh fruit, whatever the Consumer Advice Centre said.

Queer stuff

Doron Abramson began his film career as an official Israeli Army cameraman during the 1967 Arab-Israeli war. Now at the Royal College of Art's film and television school in London, he has just completed a documentary about the Arab Bedouins of the Negev.

At its premiere at a London trade cinema yesterday, visitors were handed bottles of the purple poison in place of the usual glass and tonic.

It took Abramson two years to win sufficient trust from the Bedouins to persuade them to tell their own story on the film. The result, made in black and white, is raw and highly revealing.

Benn promises massive unemployment

At its premiere at a London trade cinema yesterday, visitors were handed bottles of the purple poison in place of the usual glass and tonic.

Chief information officers of the nationalised industries together every three months, then over common problems like what to do when the chairman is hauled over the coals by the Industry Secretary. They have been joined at their recent gathering by Ronald Allison, press officer, the oldest of our state industries, Buckingham Palace.

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A cushion after working days

by K. G. Weir
deputy chairman, Hogg
Robinson & Gardner
Mountain (Life and
Pensions)

Few people in the business community can have been more adversely affected by recent changes in the tax laws and national insurance arrangements than the self-employed. How necessary it is, therefore, for these people, and those in the proprietor category generally, to reappraise their financial position and in particular the adequacy of their provision for retirement and for their dependants.

It was the Finance Act 1956 which gave the self-employed, controlling directors and those not in pensionable employment the opportunity for the first time to set aside a proportion of their relevant earnings for the specific purpose of securing a pension and gain full tax and surtax (now higher rate tax) relief on their contributions. The sums so set aside had to be applied to a pension contract or other fund acceptable to the Inland Revenue, which in turn granted tax-exempt status to the investments underlying the contract, which meant that contributions to these arrangements could accumulate free of all taxes. Furthermore, the pension, which had to begin between the ages 60 and 70, was to be treated as earned income for tax purposes.

In effect, the self-employed, partners and controlling directors were placed on the same footing as employees in membership of approved occupational pension schemes in terms of tax exemption on moneys they set aside to provide superannuation benefits. However, limits were placed on the amount of the annual contribution which could be applied for this purpose.

It is well known that the number of self-employed people who took immediate advantage of the 1956 Finance Act changes was disappointingly small, probably for two main reasons: (1) because the extent to which contracts issued under the Act could provide protection for widows and dependants was severely restricted; also there was no option available to the policy-holder to commute part of his pension at retirement for a tax-free lump sum; (2) because of the natural reluctance on the part of the type of individual involved to segregate any part of his free business assets by way of provision for his own retirement when such sums might well be required at a future date to develop the business.

The Finance Act 1971 very largely remedied the first of these drawbacks by

extending allowable benefits for widows and by allowing the policy-holder to commute part of his own pension at retirement for cash. Also, to take cognizance of the general increase in earnings levels between 1956 and 1971, the 1971 Act increased the maximum contribution allowable for tax purposes in any year to £1,500, or 15 per cent of net relevant earnings for the year, whichever is the less.

For those born before 1916 the maximum is increased according to the year of birth; up to £2,000 or 20 per cent for those born in 1907 or earlier. Not unnaturally these changes had the effect of stimulating fresh interest in self-employed annuities and after 1971 more use was made by the self-employed, controlling directors and partners of this particular facility.

Because of the increased demand the insurance market has developed a wide variety of plans all taking full advantage of the tax provisions but offering different bases of investment to suit individual tastes. They range from the conventional profit-sharing contracts, through equity, managed fund and unit-trust-linked schemes to the latest plan which credits interest to contributions at a rate related to the interest rate on building society mortgages.

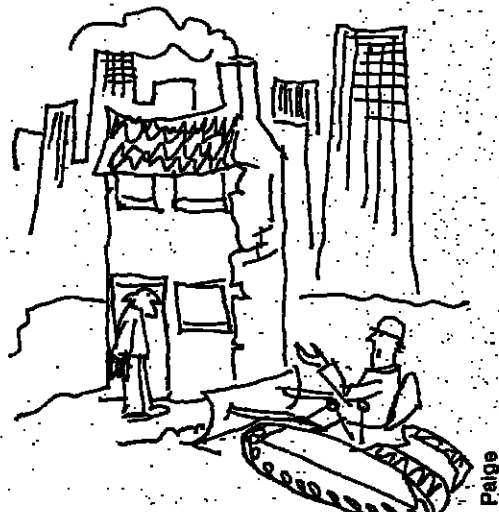
Perhaps, however, the introduction of the new capital transfer tax in the last Finance Act, with differential rates of tax for lifetime gifts and gifts arising on death, will have the effect of encouraging the self-employed, and entrepreneurs generally, to change their existing and understandable habit of keeping as much of their capital as possible within their own businesses and relying on this to look after their retirement and to protect their dependants on

their death. If so, they should find the tax advantages of self-employed retirement annuities extremely attractive.

In late 1972 and early 1973 many controlling directors were persuaded to effect substantial whole-of-life insurance policies which, by virtue of a quirk in the law, enabled them to segregate substantial annual sums over the following eight to 10 years from the companies they controlled for the benefit of their own dependants. Such sums could not be set against the company's profits for corporation tax purposes but by placing these moneys in trust there was considered to be no liability for estate duty on the proceeds of the policy at the time when the policy-holder died.

The 1973 Finance Act largely removed the purpose of such arrangements (commonly referred to as death-in-service policies) since after the passing of this Act controlling directors could be included in their own company pension scheme or in an individual arrangement designed to cover their special needs. The cost of providing pension and death benefits for them under such arrangements within the normal limits set by the Inland Revenue were for the first time allowable as a business expense.

As an added attraction they could also obtain the advantage of tax-free cash on retirement. Tax exemption on benefits paid to dependants was assured, provided those benefits paid in lump-sum form did not exceed four times the salary. As a result of the substitution of capital transfer tax for estate duty it is considered that it will now be necessary to review all existing death-in-service arrangements, other than those arising under approved superannuation schemes.



PUTTING THIS WAY THE NEW OFFICE BLOCK WILL HELP YOUR FUND

Rules of the game unchanged

by C. K. R. Nummery
director, Robert Fleming
Holdings

"The game has changed" has become the most overworked phrase in the investment world, a convenient way of summarizing the confusion which most investors feel after the trials of the past three years. But the game has not changed, at least not yet, because here we all are still playing it. The pitch is wicked, the light is bad, the umpires are unpredictable, but the important rules which have always governed the investment game are no less valid than they were.

In such conditions one of the most important qualities is consistency. Of course it must be right to be open-minded and fully conscious of change, and to adapt investment policy accordingly if necessary, but market fashions and movements must not be allowed to take precedence over well-defined longer-term aims. Although usually volatile, markets tend to make investors think in terms of greater activity and more changes of policy, they should probably do the opposite.

It is difficult enough to adjust sizable portfolios to changing conditions when market movements last for several months; when the movements are accomplished in weeks or even days, portfolio reactions on any scale become impossible. It is then more important than ever to establish a sensible longer-term policy within the framework of which short-term changes can play their proper role of refining, not distorting, the portfolio.

Like most investors, a pension fund is aiming for the overall return, capital growth and income combined, after taking account of any taxes and other costs and after allowing for the varying degrees of risk on different investments. It is important to remember first, that this bears no relation to the actual rate of return, which is an artificial figure, and second, that any attempt to set a fixed target return is a mistake. Targets generally become unrealistic as conditions change, and a fund's only true target must be to earn as much as it can. That is rather easier to say than to do.

Granted that it is not possible in practice to rearrange a portfolio to suit every twist and turn of the market, the aim must be to concentrate investment in those areas which are likely to provide an above average return over a relatively long period. Then, partly by some switching between sectors and partly by deployment of the cash flow, it will certainly be possible to take advantage of short-term fluctuations to improve return.

It is a common mistake, sometimes induced by both trustees and managers, that the choice of the broad areas in which the fund is invested has a much greater impact on performance than the choice of individual stocks. No manager of a large portfolio can honestly say that he expects to beat the index consistently by a large margin with his equity holdings; over the years he can build up a satisfactory credit balance in his portfolio by astute selection, but he will make his main impact on performance by the sensible reduction and expansion of his equity percentage at different stages of the market.

To this end the mix of assets of a portfolio is constantly being adjusted, and it is highly desirable for it to be able to change directly necessary.

It is generally thought to be a good principle to diversify a portfolio. That is in so far as diversification is used to reduce the risk to an acceptable level over-diversification can be harmful. Having too many investments, or a stake in many markets, means a loss of decision and control.

The largest funds, difficulties here, because of their concentration in a few markets, diversify overseas has clear advantages with a growth potential that is not in currencies firmly based than sterling. There were no investment funds in the early 1960s, but since then the number of funds has grown rapidly. However, it is not selection to reflect the market, it is a reflection of the market. The whole concept of investment has been in question.

There are indeed reasons to worry, but not to be repeated to the ability of the market to share profits, and heretofore, inflation has been a major factor in the economy of companies. Their pension funds one must believe in equities. As far as interest rates are concerned, they have a long-term view for 30 years.

Clearly they cannot be wrong for even inflation is running steadily out of control. Can say only that a fixed-interest stock will give a real return, longer term before justified in commencing to them. Until the game cannot be a stake in real assets, equities are proper, remain the classic approach.

There have always been pension funds which rather have a known turn from fixed stocks, even if it is the rate of inflation must prove insufficient for their needs, than risk the uncertainty of equity markets. Whatever a think of the long-term economic arguments, that is a d. as well as fair approach.

Spreading the investment net

by G. J. J. Dennis
senior investment
manager, the Post Office
Staff Superannuation
Fund

The pioneer on investment and diversification was undoubtedly Markowitz, and since then there have been many who have followed his footsteps. Basically, the investment manager spreads his investment net widely in order to diversify risk in relation to a predetermined rate of return.

It is well known that, by having different types of investment, the expected returns of which are unrelated, its variance, and hence the distortions to which it is subject, can be reduced.

The extent of the reduction in the portfolio variance depends on the degree to which the expected returns from the different investments selected vary one with another. Increasingly, however, the investment manager is faced with an increasing number of variables which cannot be quantitatively assessed, and the subjective element creeping into an investment assessment has undoubtedly tended to increase over the years.

The main areas for investment are: United Kingdom equities, United Kingdom fixed interest, overseas equities, overseas fixed interest, British property, overseas property, cash, and, more recently, objects d'art. It is important for the investor to differentiate between United Kingdom and overseas investments because exchange control regulations in Britain present an obstacle to investing overseas which gives rise to additional considerations not faced by the investor concentrating solely upon Britain.

Most of these areas of investment tend to move out of phase and, by diversifying the portfolio to include different types of investment, the independent cycle in these different outlets tends to cancel out, with the result that the overall variance of the portfolio is reduced.

The pension fund investment manager is interested primarily in income flow, and at times this can be boosted by capital profits. However, if considerable trading in assets occurs, say in property, then the tax-free status of the fund may be in jeopardy. His objective must be to make a real return over and above the rate of inflation. At present this is difficult.

Consequently, the pension fund investment manager tries to evaluate the long-term discounted cash flow

rate of return from any one type of investment. In the case of equities, for example, assuming that an equity portfolio is in effect being held to perpetuity, the long-term rate of return is given by the dividend yield together with the long-term rate of growth in dividends, although this rate of return can be improved by capital profits in the short term.

With the dividend yield on the Finance Act 1971, Acturaries about 5 per cent and assuming that the past 10 year historical growth rate in dividends of 5.5 per cent continues, the discounted cash flow (dcf) rate of return on equities in the absence of capital profits is a mere 12 per cent, considerably beneath the present rate of inflation and certainly not as attractive as the dcf rate of return on property.

This illustrates another important point: for the pension fund interested primarily in income stream the investment manager must vary his emphasis in accordance with risk and reward. He faces a very dynamic situation and must always be prepared to be highly flexible. A rational approach to this problem which enables emphasis to be changed rapidly, particularly for the fund with a high net cash flow, is to assess the expected long-term dcf rate of return from various types of investment regularly and then to allocate to each sector a weighting which reflects the degree of risk associated with each type of investment.

This must include subjective elements. For example, fixed interest will have a low risk but also a low rate of return relative to, say, some types of property investment where the dcf rate of return may be considerably higher but the risk element probably greater. Emphasis can be changed within the portfolio, although it is essential to ensure that the portfolio is still satisfactorily diversified to achieve a reasonable overall spread.

Overseas investments present a number of problems. The level of the premium at present is high and it is difficult to justify using this route. One important factor is the surrender penalties on the repatriation of sales proceeds.

The investment manager also has to contend with currency risk and exchange control risks when investing overseas. In the case of long-term property investments there are also refinancing risks to be considered and the possibility that exchange rates may change adversely.

However, property investment overseas is still justifiable on a long-term rate of return basis, particularly in North America where yields are high and financing routes are available. A United Kingdom institution a positive rate of return from the outset on its investment.

Overseas portfolio investment through back-to-back loans (where a foreign currency borrowing is supported by a sterling deposit) or straightforward borrowings have attractions, particularly when borrowing costs are extremely low, and the currency risk can be kept to a minimum by borrowing in the currency of the country in which it is intended to invest.

However, it is important to consider the "opportunity cost" of investing overseas. For example, a back-to-back loan will involve tying up sterling at a fixed rate for a given period in order to acquire an investment overseas. It may be possible to use the sterling more profitably within the United Kingdom without tying it down to a back-to-back facility and thereby improve the overall rate of return to the fund. The relative merits of overseas investments are clearly discernible when they are considered in relation to risk and reward in comparison with United Kingdom investments.

More recently we have seen funds investing in objects d'art as an outlet. This implies that the capital profit from objects d'art, when discounted back, will give a higher rate of return than most other available types of investment.

Objects d'art, in common with gold and other commodities, may oscillate violently in value in keeping with changes in taste and fashion and in accordance with economic fundamentals which affect propensity to consume and/or hoard.

However, an investment manager cannot take advantage of such oscillations by trading in objects d'art without jeopardizing the tax status of the fund. Such investments, therefore, cannot easily be justified for a fund that pays no tax since, even at the present time, long-term money can still earn rates in excess of 18 per cent.

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ally handicapped relatives, for instance, or the common law wife.

In one case an employee's wife had deserted him some years earlier and, after efforts to trace her to begin divorce proceedings had failed, he set up house with another woman. At the date

In one case an employee's wife had deserted him some years earlier and, after efforts to trace her to begin divorce proceedings had failed, he set up house with another woman. At the date

The development in widows' pensions has been equally remarkable. Many pension funds originally based the benefit on the member's accrued rights—that is, the years of service completed to the date of death—so that the pension if he died while still young was

The death benefit scene is still changing. Demands for widowers' pensions are making themselves felt and the full impact of the current legislation is yet to come.

by Max Lander

Actuaries who are directly concerned with pension funds one way or another may be divided into five groups. First, there are actuaries—about 150—in full-time consulting practice, a large part of whose working life is devoted to dealing with all aspects of occupational pen-

partment, some of whom are engaged on work which has a pension fund content. The total number of actuaries in the government service is about 30, but few of these will be engaged directly on actuarial work in connexion with occupational pension schemes. Many members of

Linked with that question is the problem of possible allowance for the state pension, in whole or in part, in the design of the benefit structure or "integration". Actuaries are vitally concerned in these matters.

Considerable actuarial problems arise in connexion

widely from scheme to scheme. Consequently, quite apart from considering the contracting-out terms in general, the actuary also has to analyse how each scheme compares with the average to see whether or not the contracting-out terms are attractive for it.

ject to government control it is most unfair to force occupational funds to pay for inflation at all above a modest fixed level. This is because the Government has created a situation in which no inflation-proof or even inflation-matching investment can be found.

unlikely that we ever return to the fever of the last bull market. It is certain that speculative activity at that level would do much to harm the investment market. A return to such conditions would be most disastrous to professional investment managers in committing further large sums to new investments.

The main area of activity now centres on investments of the £500,000 to £3m bracket. The institutions are far more discriminating than they have been for a

The main area of activity now centres on investments of the £500,000 to £3m bracket. The institutions are far more discriminating than they have been for a

particularly so where, based on today's building costs, the economic rent of a building is about £5 a sq ft.

The prime shop investment let to a good tenant is also sought but the definition of prime is now much narrower than it was a little

There is little evidence to suggest that an investor can sell out of a consortium or that a substitution can be easily arranged in such a syndicate. For the time being it has to be said that large investments are lock-ups and lock-ins. The terms for large investments must

acute where the reversion is dependent on the renegotiation of a lease since, if the tenant finds the rent too high then the landlord will have an empty building on his hands which, in present circumstances, might be difficult to relet.

Another factor which

The development sector both for finance and the sale of development sites is

There is no evidence to suggest that rents are in any way following the movement of the increase in building costs. The other unknown factor is the likelihood of letting the building

that a commitment has been obtained from a tenant, both the developer and the financier have a reasonable prospect of achieving their expected returns on completion of the project.

Variations on this theme have been in evidence of

turnover on board. However, if as is being predicted, there will be a shortage of prime quality investments in the course of the next two or three years, some funds might increasingly be prepared to accept this route to a property investment.

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Transfer of benefits in sight

by F. R. Langham

This is an opportune moment to look at pension arrangements in Europe. Not only is Parliament considering the Social Security Pensions Bill but also the population is about to express its view on whether or not Britain should remain a member of the European Economic Community. Both of these will have important consequences for the future development of pensions in Britain.

An examination of pensions in Europe must start with state social security. Most, but not all, countries in Europe adopted originally the concept that the object of social security was to make compulsory provision against basic poverty, that is to meet basic needs, and that above these the individual should provide for himself. This led to the development of essentially flat rate state schemes.

However, many countries have changed their approach because of a mixture of rising expectations, changing political philosophies, the failure of individuals separately or in conjunction with their employers to provide adequately for themselves and the erosion of savings because of inflation. In many countries in Europe social security is now seen as a protection of standards established by the individual worker and hence the development of earnings-related state schemes.

Belgium, Germany, Italy, Norway, Sweden and a number of other countries have such schemes. In some of these countries the benefit levels, and consequently the costs as well, are very high. For example, in Italy the state pension for employees retiring in 1975 will be about 80 per cent of average final covered earnings (best three years out of the last 10)—covered earnings being all earnings up to a ceiling of 13.65m lire a year.

In Germany the maximum state pension is theoretically 75 per cent of indexed career-covered earnings (present ceiling DM33,600) but because the indexation is related to national average earnings over the three consecutive years before the year of retirement, the actual state pension as a proportion of final earnings can be much lower than the theoretical maximum.

Finland reacted to the various factors mentioned above in a different man-

ner. State pensions remain flat rate but in the early 1960s legislation was introduced requiring all employers to introduce occupational pension schemes. The minimum occupational pension is now 1½ per cent of final average earnings for each year of service after 1962 and 1 per cent for each year of service before 1962.

Recently a referendum was held in Switzerland giving the population the choice between introducing an earnings-related state scheme or compulsory occupational schemes. The population opted for compulsory occupational schemes and legislation to fulfil this is now being completed. In The Netherlands, where flat rate pension is also flat rate, legislation on compulsory occupational schemes is expected soon.

France has tackled pension provision in a different way. State scheme benefits are moderate but it is compulsory for nearly all French employers to participate in one of a number of occupational schemes throughout industry. The standard financing technique is to make contributions to a fund known in Britain as pay-as-you-go.

Funds are not accumulated but benefits broadly match contributions. The system is extremely complicated because of the great variety of these schemes and in retrospect it might have been preferable for the French to have adopted a high-level earnings-related state scheme.

It is clear that the concept of the state providing only minimum benefits and relying on the individual to supplement them is fast disappearing. In Europe, governments have been extending state schemes or legislating for compulsory occupational schemes. In the United Kingdom the Government is pursuing a different path. It is introducing a second-tier state scheme, but at the same time encouraging occupational schemes to flourish by incorporating a contracting-out option.

This is an experiment that has not been tried on any scale elsewhere in Europe, and the only other countries where there is a contracting-out option are Japan and recently New Zealand.

Occupational pension schemes are generally introduced in circumstances where state benefits or other statutory benefits payable on retirement are insufficient to provide some or all employees with a satisfactory income in retirement when related to the level of their earnings at retirement.

In some countries the level of compulsory provision is so high that there is almost no scope for any private occupational schemes. Such a country is Italy where, in addition to the high state scheme, there is also a system of compulsory lump sum, leaving indemnities payable on termination of service, including termination because of retirement.

In other countries the scope is wider and occupational schemes not only provide benefits on earnings above social security ceilings but also provide benefits for employees whose earnings are below the ceilings where state and other compulsory retirement provision is considered inadequate.

Supervision and controls on occupational schemes tend to be stricter in Europe than in the United Kingdom. The only main restrictions in Britain are Inland Revenue limits which affect maximum benefits and the new preservation requirements. There are also some funding restrictions for schemes that were contracted-out of the state graduated scheme.

In some countries in Europe it is unusual to have funded pension arrangements. Two notable examples are Austria and West Germany. Because of the rapid inflation in West Germany in the 1920s and during the war, doubt was cast on the ability of accumulated pension funds to pre-

Unions are keen on bigger say

by Harry Lucas

Head of Pensions and Social Services Department, General and Municipal Workers Union

Trade unions are more interested and more active than ever before in securing good occupational pensions. They see pensions contributions and benefits as pay—deferred pay. Their objective is to ensure, therefore, that their members have the right to participate in the management of their savings.

The question of member involvement is not one of advantages and disadvantages, but of rights. It is incorrect to assume, provided they have access to the proper advice, that members are not capable of participation in collective decisions on investment policy, the exercising of discretionary powers, supervising the day-to-day administration and taking suitable action on actuarial recommendations. Each function understandably is an integral part in the management of a pension fund.

The unions realize that it is no part of the trustee's duties and responsibilities to seek to negotiate improvements in the benefits or terms of the pension scheme. His job is to administer the trust fund in accordance with its deed and rules and general trust law. It is the role of the unions to negotiate on improved benefits.

Not appointed for sectional interest

Similarly we appreciate that the essential responsibility of the trustee is to perform his duties to the best of his ability for the benefit of all the beneficiaries. He is not appointed to represent a sectional interest; he must not be better disposed, for example, towards members of trade unions as compared with non-union members or the members of a particular trade union as against those of another union.

Neither the unions' attitude nor understanding should be mistaken. All unions seek equality of member representation on boards of trustees, or committees of management. By reason of the fact that demands on the employer which can be affected by the decisions of the fund management, the unions accept that the employer must be involved and should therefore appoint up to 50 per cent of trustees on the management committee.

Being aware how easily some employers can be deterred from dismantling the screens of secrecy that conceal the management of our members' savings in pension funds, the Occupational Pension Board's report (to the Secretary of State for Social Services) which recommends that there should be a voluntary code of practice for membership in order to encourage training and counselling for pre-retirement.

All of which adds up to a constructive contribution towards the unification of management and members, a contribution towards the plea of all persons of honest intent, a unified nation.

Looking to the future, apart from the structure of pension schemes and the responsibilities of member trustees, the unions' educational role needs expanding beyond the present capabilities in order to embrace training and counselling for pre-retirement.

My brothers and I have solved the over-manning problem

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Partnership a way to reform

continued from page 1

cut reduction for a contracted-out scheme would be a total contribution to the state scheme of about 16.5 per cent up to the base level and about 9.5 per cent between the base level and the ceiling. This compares with a total contribution of 14 per cent payable from April, 1975, for the existing state benefits, though up to a lower maximum. It should be noted, however, that the reductions in contributions for contracted-out schemes will need to be lowered at regular intervals. This is because the average rate of accrual of benefits for the younger employees in the new state scheme will be lower than for older employees and hence the average rate at which contracted-out employees will force state pensions will fall gradually over the years.

Employers will not be allowed to discriminate between groups of earners, other than by type of employment, in deciding whether to elect to contract-out. The attractiveness, or

otherwise, of the contribution reduction will therefore depend in part on the age distribution of the employees and the relative numbers of men and women. It has been suggested in some quarters that a reduction of 7 per cent is too finely drawn, partly because of the higher proportion of women likely to be in pensionable employment in future and more particularly because of the risk that employers may not be able to obtain a real rate of return on investments.

Contracting-out is a complex matter and has implications not only for individual employers and their employees but for the community as a whole. The issue is not clear cut and much careful consideration will need to be given by employers and by those responsible for administering and investing pension plans, of the pros and cons of alternative courses of action.

For the smallest groups the difficulties of "homologation" on to a final salary type target will in any circumstances tend to be less. For larger groups the main factors for consideration—where a worthwhile scheme is under consideration or already exists—are:

1. The inflation-proofing of benefits up to retirement, as mentioned above. Much will depend on the degree of confidence that can be engendered as to buying-back terms in what might be very different investment conditions and on whether some form of safety net to protect employers from a catastrophic increase in liabilities can be devised.

2. The attraction or otherwise of the contribution reduction in relation to the cost of benefits for the employees concerned.

3. The attitude of the employees. Any attempt to cut back on existing occupational scheme benefits could lead to difficulties through "integration" with the new state benefits so as to provide at least as good a total package could provide an acceptable solution.

4. The flexibility available to an occupational scheme. This can be of particular value in dealing with early retirements and in other circumstances to accommodate the particular needs of members.

5. The administration aspects. If a scheme is contracted-out, the GMPs will need to be recorded. But if a scheme is integrated with the state, additional record-keeping will also be necessary.

In future, employers will have a choice of providing a considerable part of employee retirement benefits through the state arrangements rather than through funded occupational schemes. Each of these systems has its strengths and weaknesses depending on the economic environment in which it has to exist. The urgent need is to restore an economic climate which encourages investment from savings in the United Kingdom rather than from borrowing from abroad.

Failing that, all the gradual and voluntary development of occupational schemes that has occurred over a long period could be reversed. The advantages of flexible and funded occupational schemes are not likely to be easily restored and there should therefore be a move away from the present systems and disciplines.

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by M. Haddon-Grant
Secretary, Plessey Co.
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Association of Pension
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Integration is used as a formula used by occupational schemes to take account of the costs arising from the scheme or schemes. The simplest form of integration is an allowance or a basic flat-rate pension. This can be achieved by deducting a proportion of the single pension from the tariff benefit or by making an allowance in the definition of pensionable salary. The question now is whether integration should go a step further by including all the costs of a pension scheme under the occupational pension scheme. This must depend on the place on whether the usual scheme is used or a special scheme for a particular group of employees. If then integration with the state scheme is not needed, the equivalent of earnings-related state pension will have to be used under the occupational scheme as part of the pensionable salary. It will be possible, however, to make an allowance for the state pension. This is not to be used for the purpose of the new state earnings-related pension, then integration with the state scheme is in theory possible. The major disadvantage is the difficulty of determining state benefits. It is the of the earnings-related

state scheme that is the problem. A revised earnings-related scheme such as the Castle plan is complicated enough but when it works on the best 20 years' earnings it is even more complicated. Although it is quite simple to say that an employee will have a sixth of salary for each year of service less the amount earned under the state scheme, it is not so easy to calculate because the occupational pension target is a movable feast, reducing as the state scheme benefit increases. This means that it is not until the actual date of retirement (or probably three or four months after the date of retirement when the Department of Health and Social Security can say what the state scheme benefits are) that the employee will know how much pension he is going to get from the state and how much from his occupational scheme.

This may not matter too much for employees who remain in service until their normal retirement date, but it does matter for an employee who leaves service before retirement. Just how much will his occupational scheme provide when he reaches retirement age? Surely at the date of leaving service he ought to have a firm figure to work on so that he can negotiate any shortfall in benefits with his new employer. If benefits are to be reduced by integration it is likely that there will be pressure for employees' contributions to be reduced as well. Superficially, it would seem fair to reduce all members' contributions by the same percentage but this would ignore the fact that for some older employees their occupational scheme benefits might be almost eliminated after the state scheme benefits had been offset. Obviously these employees would object to paying the same contribution rate to the occupational scheme as other employees. Take, for example, a final

salary scheme providing 1.25 per cent of final salary for each year of service which has been running for a number of years when the new state scheme starts in April, 1978. The company decides to integrate fully with the new state scheme. Before April, 1978, employees were paying 4 per cent of pensionable salary.

How is contribution integration achieved? For an employee within 20 years of normal pension date, the new state scheme will provide an accrual rate of 1.25 per cent of upper tier earnings (earnings between £11.60 and £12.20 per week in current terms) revealed in line with movement in the earnings index. If this is deducted from his occupational scheme pension his benefit will be confined almost entirely to the pension he is going to get before April, 1978. He will probably feel that his contributions ought to be stopped completely. For an employee who is 30 years from normal pension date the state scheme accrual rate is only 0.83 per cent and clearly some contributions need to be paid, say at 1 per cent to 2 per cent. For an employee 40 years from normal pension date the accrual rate from the state scheme is only 0.625 per cent and he, too, ought to pay some contributions—perhaps 2 per cent to 3 per cent. It is clear that contribution integration will be a nightmare because it will depend on the age of the employee when the new state scheme starts. To be equitable, different contribution rates ought to be paid and although these rates are complex enough for employees in service in April, 1978, taking on new entrants after this date will be even worse. Clearly the employer will have a difficult task if he is to agree an equitable basis with the union representatives and he is likely to finish with a compromise which adds to his expenses.

This time it must be the real thing

by M. Haddon-Grant
Secretary, Plessey Co.
and chairman, National
Association of Pension
Funds

The National Association of Pension Funds was formed in 1923 to deal with the problems of the Finance Act, 1921, which is generally regarded as the charter of occupational pension funds. Since that date it has continued to represent the interests of those concerned with occupational pensions, both in the public and the private sectors, and is the only body in the country whose membership embraces both insured and self-administered schemes. The association has, therefore, been in existence for more than 52 years but in many ways the past five years have probably been the most momentous. During that period we have had three different sets of government proposals designed to regulate the relationship between the occupational schemes and the state scheme, the latest of which is set out in the Social Security Pensions Bill. Over the past few months, moreover, we have for the first time heard serious doubts expressed as to whether occupational pension schemes can survive in a time of high inflation when most available sources of investment are producing a negative rate of return. As against this, however, during this period there appears to have emerged a much greater consciousness of the importance of the occupational pension funds movement in relation to the national economy. Pension fund contributions represent 40 per cent of national savings in the private sector of the economy, and pension fund trustees and administrators are being asked to as-

sume increasing responsibilities in their roles as institutional investors. An example is the approach made recently by the Governor to pension funds and other institutional investors to support the Finance for Industry loan sponsored by the Bank of England.

The National Association of Pension Funds supports occupational pension funds and firmly believes that in normal circumstances they can provide earnings related pensions without government assistance. Its view has always been that the Government's role should be to provide a pension up to a basic minimum, which would enable pensioners to live without hardship but probably with little margin for luxuries. The association sees the role of the occupational pension fund, by virtue of its greater flexibility and adaptability to individual and local circumstances, as complementary to that of the state fund to the extent that it can safeguard the employee against a sudden and drastic fall in his accustomed standard of living. The Government's function should be to provide encouragement to such funds, both by maintaining a background of stability and by ensuring a healthy economic environment. The association feels that the development of occupational schemes should be further encouraged by the provision of other financial incentives. However, neither the previous Government nor the present Government has been wholly willing to support it in this contention. The previous Government envisaged a huge state re-serve scheme at a fairly low level, and the present Government is proposing that there will be a "pay as you go" earnings related element to the state scheme—in either case giving options to contract out for those employees who provide adequate occupational pension schemes, but without fully providing the sort of climate in which the oc-

cupational schemes can flourish. The most important element in any form of pension planning must, however, be stability. Employers have twice in the past five years been faced with the complex decision as to whether they should contract out of the second tier of the state scheme, and they will shortly have to make the decision once again. It is, therefore, imperative that they should be able to feel that this time it is for real.

It is for this reason that the association has accepted that it must be in the interests of all—employers, employees and the occupational pension fund movement as a whole—to try, if possible, to go along with the Government's bipartisan approach even to the extent of compromising in what it regards as the best possible solution, in order to achieve a relationship which is likely to achieve some degree of permanence. However, there are a number of matters in the new Bill which cannot be changed if a satisfactory relationship is to be established; thus we are concerned that the contracting-out provisions are still too finely drawn, particularly those concerned with investment earnings. The Bill as drafted gives no incentive for contracting out, and indeed, in some respects could be seen as a deterrent. Even if no positive incentive can be provided, the association feels, if employers are to be persuaded to contract out of the state scheme, that a greater margin must be allowed so that at least an even balance can be obtained. The situation is, however, exacerbated by the requirement not to select on grounds of age or sex but to accept a single average rate. It is also becoming increasingly apparent that some limit will have to be set to the employer's present unlimited commitment to revalue earnings while contracted-out employment continues.

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Guidance to the industry and advice to the Government

Philip Allen
Chairman, Occupational
Pensions Board

Occupational Pensions Board was appointed on 1 October 1973, under 66(1) of the Social Security Act 1973, to administer the new pension scheme as far as occupational pension schemes are concerned. The board's main functions were: recording and certifying employers whose pension

schemes met the required standards, and who wished to contract out of the new state reserve scheme; supervising the financial arrangements of occupational pension schemes to ensure that benefits had the necessary financial backing; deciding whether scheme rules conformed with the preservation arrangements for early leavers; assisting schemes to modify their rules to meet the new requirements; considering proposals for regulations

about occupational pension schemes; carrying out in respect of occupational pension schemes such advisory functions as might be conferred on them by the Secretary of State for Social Services. In May, 1974, after the general election in February of that year, Mrs Barbara Castle, the new Secretary of State, announced that the Government had decided not to bring into operation those provisions of the 1973 Act which related to the

reserve pension scheme and the arrangements for recognition of occupational pension schemes which were submitted for exemption from it. This removed from the board responsibilities for the first two of these functions. The board substantially reduced its staff, and at that stage concentrated mainly on the preservation requirements of the Act. These requirements, which apply to members of occupational pension schemes

who leave their jobs before reaching normal pension age, took effect on April 6, 1975. Guidance was issued to the pensions industry in consolidated form in October, 1974. This was memorandum 18, *Preservation of Occupational Pension Rights*, and the Superannuation Funds Office of the Board of Inland Revenue (with which the board operates a joint office). The board also issued a *Short Guide to the Preservation of Occupational Pension Benefits*, mainly for employers who wanted to know more about the requirements without going into too much technical detail. More recently it published a leaflet, OPEB, entitled *Pension Rights on Changing Your Job*, explaining to individual members of pension schemes their entitlement under the Act.

The board's officials have also given advice about the preservation requirements to the administrators of many thousands of pension schemes. This is a continuing task and one which gives rise to complex questions of interpreting and applying the provisions of the Act and the regulations. Section 64 of the 1973 Act empowers the board to help those concerned to modify the rules of schemes, or even to wind up schemes, where they have no powers to do this or where to do so would be unduly complex or cumbersome. The Act defines the circumstances in which the powers can be used and provides various safeguards. The board is handling an increasing number of applications to help in this way, for example, where the scheme's rules need changing to meet the preservation requirements.

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Old people still know all about poverty

by Pat Healy
Social Services
Correspondent

Pensions policy has been in a state of flux in Britain for the past 20 years for two basic reasons. In the 1950s it became clear that the Welfare State had not succeeded in abolishing poverty among the old. It also became increasingly evident that not enough money was being raised to pay for its wide range of benefits.

Successive governments have found it easier to legislate on the financing aspects than on the idea of abolishing poverty in old age. By contrast, the present proposals for a new structure for pensions comes the closest of any of the previous plans to achieving the second objective.

The now defunct graduated pensions scheme was the first attempt at an interim solution. It certainly succeeded as a money-raiser, although not sufficiently to avoid the need for a complete restructuring of National Insurance contributions. But its success as a way of improving pensions was limited.

When the scheme was introduced in 1961, the National Insurance Fund had been in deficit for three years. Graduated contributions totalling £147,000 in the first year of operation actually helped to bring the fund

into surplus again. But the fund plunged back into deficit the following year and in 1966 the Government felt obliged to reduce graduated contributions on those people who were contracted out of the scheme. Again, the resulting surplus lasted only one year and the fund has only twice been in surplus since 1967.

The latest available figures show that at the end of 1973, 33 per cent of all pensioners were receiving a graduated pension on top of their basic state pension. But the average amount of graduated pension was only 23p a week, and only 2 per cent of the total had more than £1 of graduated pension.

At the time, a married pensioner couple would have needed an extra 35p a week to bring their pension up to the official poverty line as set by supplementary benefit scale rates. But they would have needed between £1.95 and £3.12 a week on top to cover their housing costs, which are met by supplementary benefits. It is hardly surprising, therefore, that nearly one third of all pensioners were receiving supplementary benefits on top of their pensions at the end of 1973. The proportion does not reflect the extent of need in old age because it is known that many eligible pensioners do not claim sup-

plementary benefits through pride, inability to cope with the procedures, or ignorance that they can claim.

One of the fundamental aims of the Government's new long-term pensions policy will be to preclude as many people as possible from having to claim supplementary benefits when they retire by making it possible for the overwhelming majority to have an earnings-related pension higher than the poverty line. But since the basic level of the new state pension will still be below the supplementary benefit level, there will still be substantial numbers of pensioners below the official poverty line when

the scheme reaches full maturity after 20 years.

Age Concern, the voluntary organization concerned with problems of the elderly, estimates that about one million pensioners will still have incomes below the poverty line under the scheme. The Department of Health and Social Security claims that figure is too high, but cannot offer an alternative estimate. Whatever the final figure proves to be, it is likely to be the lowest number under any of the three major pension plans proposed by the last three governments in Britain. If substantial numbers of pensioners no longer have to rely on supplemen-

tary benefits to bring them up to the poverty line, it is possible that those remaining will have a better service.

The proposals have been attacked by Mr Clive Jenkins, general secretary of the Association of Scientific, Technical and Managerial Staffs, as offering lower final pensions to significant numbers than would have accrued under the Crossman proposals. That view is strongly resisted by Mrs Castle, Secretary of State for Social Services, because the current proposals were devised with the idea of improving on the Crossman scheme which was abandoned when the Conservatives were returned to power in 1970.

There is no doubt that the new policy is an improvement in many ways. It goes further in giving women equality, and allows for the interruptions in a working life by taking only the best 20 years of contributions as the qualification for a pension. The proportion of pension to an individual's earnings is heavily weighted in favour of the lower paid, who are generally less likely to have an occupational pension to fall back on. It will be reviewed every year and pensions will be increased in line with average earnings, or with prices when they rise faster.

Until the scheme operates, either from 1977, or the following level of pension the new proposals can be estimated. The scheme would have had a single person earning £13.70 or an income of £22.10 over the pension and the equivalent 68 per cent of his earnings. At the top of the scale, someone earning £28.20 (the assumed sum level on which contributions would be paid) would have a pension of £19.40 more than current pension and saving 36 per cent of income.

In addition, people have accrued graduate pension rights would have added and Mrs Castle promised to improve in line with price increases instead of leaving their fixed value. It is said that this improvement will apply to all pensioners, and not just those who retire after the 1970. The proportion of pension to an individual's earnings is heavily weighted in favour of the lower paid, who are generally less likely to have an occupational pension to fall back on. It will be reviewed every year and pensions will be increased in line with average earnings, or with prices when they rise faster.



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Peddling pity and promises

by Victor Thorne

For many years the British public has witnessed the cyclical spectacle of fierce political auctioneering around the subject of pensions. Every prospective government has better deals for all and parliamentary candidates peddle pity and promises at the hustings. As a result, state pensions have crept forward spasmodically, while the national favour has usually left private employers' schemes by the wayside.

By and large, employers dictated the level of pensions, the choice of contributory or non-contributory and the terms of transferability, if any, so that over the years the variations of schemes have proliferated.

That was before April. Until then, if an employee left a company which operated a contributory pension scheme, all he got back as recompense was no more than the total he had paid in over the years. Even if he retired at 64, there was no legal obligation on his employer to do anything except return his contribu-

tions, with no interest or allowance for inflation added. And, if the employer's scheme was not contributory, the employee would leave with nothing to live on at retirement age.

Now pension rights are more secure under the Social Security Act of 1973, which came into effect on April 6 this year. Under its terms, employees over 16 years of age will no longer run the risk of forfeiting their pension rights accruing from one employer's contributory scheme if they have been in continuous service with him for a minimum of five years. The pension must be preserved for them until they come of retirement age, or must be transferred to a subsequent employer if the employee so wishes.

What is more, the employee now has the option of taking a refund of any contributions made during service before April 1975, leaving his contributions to date with that employer to be paid out as a pension on retirement, or transferring it to his next employer.

The most likely option taken will be the transfer of pension payments from employer to employer, with each new employer granting a benefit on retirement which is calculated on the purchasing power of that transferred payment within the new pension scheme.

But the drawback on transferability between one private plan and another comes with the different actuarial approaches to risk calculation. What happens is that the actuarial working on behalf of an insurance company or pension fund calculates the level of premiums on a group basis, with savings and roundabouts allowances built in on statistical certainties.

Experience has shown, in other words, that in any one company a certain percentage of employees will die before the five-year minimum pensionable period is up, some after longer periods, but before retirement age, some will get sick and a percentage will be injured or maimed.

Much hinges on these actuarial calculations. If an employee's rate of salary rise up to the point of retirement has been underestimated by a previous employer's actuary, his final employer will be obliged to top up the outstanding balance from his own fund.

Among local authorities, the Civil Service departments and the nationalized industries there exists a fairly efficient transfer "club" in which no money actually changes hands even though employees do. It is made possible only because a high degree of consistency has been achieved in actuarial calculations. The local authorities have gone the

farthest in ironing out imbalances between them, with 10 years' service in Hammersmith, for instance, worth 10 years in Bristol.

One further factor is worrying private employers at this time, and that arises from Mrs Barbara Castle's radical alternative proposals for social security, outlined in September, 1974, and due to become effective, Parliament willing, in 1978 or 1979, maturing 20 years later.

The scheme will operate wholly on the pay-as-you-go principle, without prior funding. As far as transferability is concerned, the Government intends that the previous employer should meet the transfer payment cost, at the same time allowing for a cost-of-living increase.

Just how the scheme will work once legislation comes into effect is anyone's guess. It has left employers totally bewildered. If the cost-of-liv-

ing rate reaches an increase of 7 per cent a year, will the 2 per cent of top of the index method of final pension?

The Government honour bound to Mrs Castle proposals through it can and if it is power. Morally, the law legislation reflects proper approach to a need.

But what of the effect employers' operating? Experts have estimated their contribution to state funds under the proposed new scheme present at a norm of 15 per cent of total pension could reach 20 per cent more under existing conditions and soar to 10 per cent if Mrs Castle's proposals go through Parliament. Not exactly a delightful prospect for companies fighting the whip-and-end precedent inflation. Individual employee well suffer, too.

Those who seek independent professional advice on any aspect pension planning are invited to consult a member of

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Rate of return must rise

by Barrie C. Johnston
director of Charterhouse
Japhet

During recent months there has been in the press an increasing barrage of headlines which appear to throw doubts on the solvency of pension funds and which highlight the vast extra contributions being made out of company profits in order to solve the problem.

This is undoubtedly good news value, but it is at the same time somewhat irresponsible and is unnecessary damage to the pension movement, to the confidence of members in schemes and to the future role of the capitalist system in the financing of the much needed expansion and modernization of Britain's industries.

We shall all have to think again if the rate of return on our funds is going to fall short of salary increases for a long period of years, but if that happens there will be many worse things to worry about than pensions.

We therefore need to take a cool look at what is going on, try to see what is behind the headlines, then see if steps can be taken to increase pension contributions so that a real return is once again the order of the day. We must be prepared to engage in the struggle to preserve what we know to be in the best interests of our own security through the funded arrangements for pensions.

First we need to remember that from the date of admission of the youngest contributor to a fund to his inevitable death there may well be an interval of some 60 years or more. The present situation of negative real return can thus be seen as a hiccup; admittedly it looks like a pretty big one, but within possibly two years or so we shall be back in calmer conditions and this difficult period will be seen in better perspective.

There are many reasons why individual funds may be "topping up", but the reasons have to do with value—as social conditions change so are pension benefits either amended or expended, and the resultant bill can be large. A company may decide, for example, to increase its pension benefits to reduce its turnover, or to include widows' benefits for the

first time, and these additional arrangements can be funded only by means of contributions from company profits.

Some schemes may not have been as fully funded as new employers are because of the need to increase benefits of those already on retirement, and when profits are good it is obviously expedient to take the opportunity to make supplementary payments. But when stock markets and property prices have been down to such low levels what better time is there than the present to make these payments?

However, we must not forget the many hundreds of funds that will not need to make any additional payments. These may have been wiser in the past by funding at higher levels than were perhaps strictly necessary, or they may have handled their portfolios in a more rewarding manner, thereby obtaining that little extra return which makes so much difference over a fund's lifetime.

An extra 1 per cent return on a fund will, over a period of time, cut the required contributions by some 15 per cent a year, and this is well worth seeking. Related to the profits of companies, especially those with large staffs, these savings are meaningful and can result in an increase of some 8 per cent in pretax profits on average. Such a figure in an engineering business would result in many a manager having a happy year end, but in pensions the figures are neither easily quantifiable nor instantly apparent. Nevertheless they can be achieved and should be demanded by management, shareholders and workers alike.

Trustees of funds are correctly appointed for their judgment and caution, but this does not entitle them to be inactive. For many years there was little evidence of what was going to happen as a result of inflation while the portfolios, for which the trustees have been responsible, have been under constant attack from governments of all colours, the weapons including devaluing, freezes, profit limitations, price controls and rent restrictions.

This onslaught has undermined the confidence of managers to put additional funds into equities as they had been doing for the past 20 years or so.

The search for satisfactory and suitable investments therefore becomes more crucial and it is in the interests of everybody for finance directors to make sure that their pension funds are profitably managed. One insurance company, one merchant bank or perhaps one individual may have managed a whole portfolio for 25 years, possibly the ability of that manager has never been questioned, but it needs to be, because the difference between the successful and not so successful can be considerable—a recent survey has shown that over five years one fund has outperformed the worst of those measured by some 80 per cent.

By having one institution or person appointed for as long a period the trustees are assuming that they have the best in the business; we cannot all have this fortune, and if corporate advisers hold the reins the people within the organization will change and what was originally thought a correct choice may prove less satisfactory.

As conditions change it can be profitable to select additional managers for a portion of a fund, partly because different views are obtained but partly because the nature of the fund's specialization can be found. Caution is required at all stages; a few years ago, as yields became inadequate to cope with the increasing rate of inflation, we saw the rash into growth stocks, but this, as we now know, did not solve many problems. Nor are purchases of works of art and other non-revenue producing assets likely to prove satisfactory, because a future sale price and a guaranteed year compound it will be necessary to see a 48 per cent rise in capital over a three-year period to equate with the assured income of, for example, a gilt-edged stock.

The responsibility for seeing that competent management is appointed and kept up to the mark is clear. Unfortunately, there is failure to perform then the penalties are obvious, and trustees, finance directors and shareholders (including the government) have a duty to see that value for money is obtained.

If between us all we fail, then not only will our funds suffer but the capital market will be denuded of the funds it needs to keep alive the system as we know it.

talks about retirement

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These topics predominate in the seminars conducted by the association, which takes a team of experts into the premises of some of the country's most enlightened employers to help to prepare their staff (and their wives) to seize the opportunity for fulfilment which retirement can offer in the years ahead.

Organisations using this service include Barclays and Midland banks, British Steel Corporation, Bovis, Debenhams and Marks & Spencer. Other employers follow the Civil Service example by granting time off during working hours for staff to attend pre-retirement courses. (Despite this example and the acceptance by the Department of Education and Science of the value of pre-retirement education, it does not yet aid the PRA financially.)

The eroding effects of inflation have undermined the confidence of workers regarding their standard of living after retirement. Inflation must be controlled if only to give the pensioner stability.

Employees approaching retirement appreciate an opportunity to receive expert unbiased advice on the advisability of continuing an occupational pension, investments, annuities, drawing an income from a mortgage raised against the value of their house, and the wide range of help which can be obtained from state sources. They are encouraged to make a will.

expenditure on sports facilities. Physical fitness affects the output of employees, and the Prime Minister of Canada is the latest convert to the doctrine of "fighting the flab". Companies which find their sports facilities are not being used to the full should consult the unions and find the reason why. Company pensioners would appreciate being able to use a heated swimming pool or gymnasium during normal working or off-peak hours.

I suspect, however, that one reason why doctors' surgeries are always well supported by the newly retired goes back to this question of adjustment. The realisation that your previous employers are apparently able to continue in business without you is increased by the prospect that you were not really indispensable. The victim can become fretful and resentful because he feels that he is an outcast from society, and that life has treated him badly.

He can drift into loneliness, and attendant self-pity which sow the mental seeds from which physical ailments can sprout. Here the person's mental attitude can reduce the physical resistance to disease. The pensioner becomes a health risk. He will suffer from all sorts of aches and pains, and will catch whatever virus is the winter's fashion. The worst cases of mental adjustment will simply fade away and die of a broken heart. Dr. Eric Wright, chairman of the PRA and chief medical officer of BUPA, emphasises that "the right attitude of mind is an essential part of the survival kit".

Here, surely, is the nub of pre-retirement education. It is in the interests of the nation to ensure that every one is well adjusted to the notion of retirement some years before it happens. We must all help the newly retired to continue to contribute to the community.

By letting them know they are still needed, we help them to adjust to retirement and at the same time we help the country. The association (a non-profit-making educational organisation) produces specialist publications, and the association's magazine *Choice* is the only national monthly magazine which is specifically aimed at those approaching, planning and enjoying retirement.

Rights and wrongs of women

by Margaret Drummond

The trouble with women, as someone remarked, is that they are not men. That attitude is as true in pensions as it is in most other parts of a commercial and social environment where matters have traditionally been arranged in accordance with the needs and aspirations of the breadwinning male.

Mrs Barbara Castle's Social Security Pensions Bill included a number of clauses which were aimed, as she succinctly put it, at ending the situation of "second-class citizens entitled to third-class benefits". It established the principle of equal pensions for women. Other pieces of feminist legislation have a bearing on pensions, too.

The Equal Pay Act 1970, which came into force last year, the Employment Protection Bill and the Sex Discrimination Bill all in their various ways enforce the principle of equality in terms and conditions of employment, of which pension arrangements are an important aspect.

Mrs Castle went a stage further. In April she asked the Occupational Pensions Board to investigate the treatment of women in occupational schemes. Its precise brief was "to consider in the light of the Government's proposals for the future of pensions and in particular their intention to end discrimination against women in occupational schemes what further steps are necessary, whether by way of legislation or otherwise, to implement the principle of equality of status for men and women in such schemes and to report".

There is a paucity of information about the experience of women in occupational schemes. What does exist is largely accounted for by the Government Actuary survey of pension schemes in 1971. That highlights a number of areas of discrimination, such as lower benefit levels for women under some schemes, lower lump-sum benefits on the death of a woman than for a married

man, and differences in the treatment of dependants.

The key to much of the apparent discrimination lies in the actuarial assumptions that are used in pension calculations. Women not only retire officially at 60, five years earlier than men, but they live longer on average and therefore the pension funds consider them a more expensive proposition.

With all the chatter about equality, the pension funds could hardly fail to overlook the glaring fact that Mrs Castle made no alteration in the discriminatory retirement age. Moving the retirement age for women up to 65 was evidently not fair on those who were already in pension schemes. Bringing the retirement age for men down to 60 would have had a great deal to recommend it but Mrs Castle bluntly stated that neither the Government nor the occupational pension funds could afford it.

The differential, originally established in recognition of the fact that wives tend to be younger than their spouses, has perhaps some justification, even if it will not appeal to either the pension funds or the thoroughgoing feminist. That is the dual role taken on by the working wife and mother.

The five-year differential is, in a muddled sort of way, recompense for men doing housework or for the working husband who spends his evening watching football on television the working wife is more likely to be working out the week's menu in the kitchen. The accepted wisdom on longevity which will be examined by the Occupational Pensions Board, might throw up a few surprises.

Mortality tables are based on very long-term trends which until now have demonstrated that women live longer. But one wonders whether women who work live longer. It is possible that the changes over the past decade, when the working wife has become a normal feature of the social scene, could have overturned that theory, although that would not necessarily be reflected yet in the long-term calculations used by the actuary.

Medical data, for instance, show a fast rise in the number of women contracting or dying from the supposedly "executive" diseases, such as lung cancer or coronary thrombosis, ailments associated with the stresses and strains

of commercial life. It would not be surprising if the differential in the female mortality rate showed some signs of narrowing.

Those points affect women in occupational pension schemes. Arguably it is the women not yet invited to join schemes who are of prime concern to Mrs Castle and the feminist lobby, for pension rights are intimately bound up with the problems of independence and how to encourage it.

Some schemes do not exclude women specifically, but have entry requirements based on income that effectively disqualify the bulk of a female labour force. This is obviously a problem that must be solved along with inequalities in pay, but, as is relevant in the latter context, particular jobs, because of low pay, have become traditional women's work, thereby escaping the main provisions of the legislation.

The 1971 survey by the Government Actuary showed that more non-manual female employees than their male counterparts were excluded from schemes because of type of employment. The large proportion (a third) of part-timers in the female labour force is obviously another problem area. The Occupational Pensions Board is evidently seeking out whether a significant number of employers will, because of the general pattern of female labour, be able to continue on their discriminatory way within the terms of the new legislation.

The third aspect that Mrs Castle hopes to examine is the special arrangements that have to be made to accommodate the working woman, and her rights to a pension in the event of her leaving work to raise children. The earnings-related part of the state scheme will take the best 20 years of an employee's earning period, a provision that applies to both sexes but is one that probably has more importance for women.

The final, and rather stickier area, is the extent of a wife's right over the pension of her husband. Thus the Law Commission recommended that loss of pension rights be taken into account in divorce proceedings. A recent Gallup poll demonstrated an appalling state of ignorance on the part of wives over pensions and what their husbands' schemes might mean to them in the case of death or retirement.

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Hopes for long term

by Eric Brunet

Inflation can have serious effects on the finances of a final salary scheme, as the pensions which it is liable to pay increase, if there is no corresponding increase in the value of the assets which are held. In the last resort, however, no amount of inflation can leave a scheme worse off than a new scheme, with no accumulated fund, which offers pensions based on service before the scheme started as well as the period of membership of the scheme.

The problem is a serious one, but it is essentially short term. In the long term, the cost of running the scheme is bound to rise if the existing assets prove inadequate, but the maximum increase is perhaps 5 per cent or 10 per cent of pay roll, depending on the benefits provided and other factors. In practice, the existing fund cannot become insignificant except in the more extreme conditions of hyperinflation, and the long-term increase in costs will be correspondingly lower.

Does this mean that all the fuss about pension scheme finances is just a storm in a teacup? Unfortunately the position is neither so simple nor so hopeful. Inflation is itself not being the menace it is painted, but it is in conditions of inflation that the relationship between the investment return and the increase in liabilities of a pension scheme is most likely to be upset.

The present episode may be merely a passing phase; perhaps in the longer term inflation will fall sufficiently to restore the balance with the yield obtainable on investments. Investment returns may rise again after their recent fall. There will still have been a substantial additional financial burden on pension schemes, because of the effect of the events taking place, but the impact on their long-term viability will not be serious.

Part of the problem is that, when inflation is running at a high level, there is a general hope, or even expectation, that the rate will fall. As a result, the return available on new investments is lower, being related to the future hoped-for level of inflation rather than the present rate. The investing public at large is incapable of deluding itself in this way over quite a long period; the longer it is before normal conditions are restored, the more convinced people may become that an improvement cannot be long delayed.

The Government encourages such an outlook. We can see, at the present time, the results of deliberate efforts by the Treasury to keep down the rate of interest paid on fixed investments. A higher rate of interest increases the cost of government borrowing. Moreover, it is politically dangerous for the Government to be seen to be incapable of controlling inflation, and ministers therefore encourage expectations of an imminent reduction in the inflation rate. We have seen how infrequently such expectations are realised.

There is another factor which operates in times of inflation: there are inevitable economic difficulties, with large sectors of the community suffering a real reduction in living standards. The instinctive reaction of the middle-class in these conditions seems, not entirely logically, to save as much as he can and put off buying things he

continued on page VIII

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Money-purchase options should be encouraged

by John Sparks

A condition for contracting-out will be that a pension scheme provides pensions based on an annual accrual rate of not less than 1 per cent of final salary or of average salary revalued in line with the general level of earnings. The latter type of arrangement is rare, whereas the final-salary schemes have become the most popular.

They are most suitable for employees whose careers reach a climax at or near retirement but less suitable for those whose powers reach a peak much earlier and whose earnings decline in real terms towards retirement.

For those whose earnings are closely dependent upon physical strength or good eyesight or energy, active and resource, a good case can be made for the "money-purchase" type of pension scheme. Under such a scheme, specific contributions are made every year for each member and the scheme benefits are related to the amount to which the invested contributions accumulate.

One attractive feature of such a scheme (which is why, in 1972, Money Which preferred money-purchase schemes to any others) is that when a person leaves service the money invested for him can remain in the scheme and continue to

grow. However, it seems to have been decided that there is no way in which money-purchase schemes, as such, can be acceptable for contracting-out purposes.

Another important feature of a money-purchase scheme is that, unlike other types of scheme, different employees can participate in the same scheme even though they are independent financially. In that way large numbers of small employers, often making different percentage contributions, can participate in the same scheme and avoid the high administrative expense of each employer "going it alone".

Transfers between employees in the same scheme are possible without penalty. There are several well-established "money-purchase" schemes, like the Merchant Navy Officers' Pension Fund and the Solicitors' Clerks' Pension Fund, which cover one industry or all that some other groups of employers have in common is that they are clients of the same insurance company or pension consultant.

The previous government had tried to encourage the formation of controlled schemes to get as many people as possible covered by occupational pension schemes. It seems that some contracting-out provisions for money-purchase schemes they will tend to go out of

existence and leave a large sector of employments not covered by occupational pension schemes.

What may seem extraordinary is that although contributions of only 6 per cent or 8 per cent of employees' earnings are being paid into a final salary scheme, the scheme may qualify for contracting-out. But no rate of contribution, however high, which is applied on a money-purchase basis can so qualify.

For a final-salary scheme, the question whether contributions are being paid will be sufficient to provide the final salary benefits promised by an employer seems to be fairly irrelevant under the provisions of the present Bill.

Is there then a solution for money-purchase schemes? I try to indicate below, first, how a money-purchase scheme could possibly qualify for contracting-out if the existing principles of the Bill are retained and, second, why the Government should allow money-purchase schemes to have a more positive role in the partnership between state and private pensions.

The provision of a money-purchase scheme provides both a pension and a widow's pension it should be possible, as the government proposals stand, for the members to be contracted-out if their employer sets up a second scheme to "make up" the existing

scheme benefits to the requisite contracting-out minima where necessary. So long as the benefits under the money-purchase scheme are accruing in a satisfactory manner in relation to the statutory requirements it should be unnecessary for the employer to make any contributions to the "make-up" scheme until the time a member dies or leaves service, and then only, in a few isolated cases.

By effecting such a "make-up" scheme the employer would become committed to final-salary pensions but that need be only in relation to earnings currently between £11.60 and £81.20 a week. However, by not contributing to the "make-up" scheme unless or until he has to, the employer can retain many of the advantages of having a money-purchase scheme.

As far as an industry-wide scheme is concerned, those employees who decide to contract-out could, while still participating in that scheme or a scheme identical to it, become parties to a separate "make-up" arrangement at a separate "inner circle" could easily be accommodated although it would probably be necessary to have a minimum percentage rate of contribution for inner circle employees. The percentage would be determined by actuarial

valuations held at regular intervals. Transfers from the outer to the inner circle could also be accommodated but transfers in the opposite direction could be accommodated only if a premium to the state scheme had also been paid.

So far, I have assumed that the contracting-out requirements remain, in principle, unchanged. But if the procedure suggested above is adopted, the money-purchase scheme will be subject to more restrictions than the final salary scheme and will probably cost more. There seems to be a generally an increasing tendency to promise more and fund less.

Often, final salary schemes, among them the finest, are funded on bases which would not be the most preferred by actuaries. That might not be so in the case of a money-purchase scheme, but in the short term, reduces total pension costs most for those employers whose schemes are funded on the least conservative actuarial bases.

In contrast, money-purchase schemes are, by definition, fully funded and should be encouraged to continue and grow. It is only contributions that are actually paid to occupational pension schemes that can be applied towards the medium and long-term investment which is so essential for our future.

Facilities for top executives

by Norman Worley
agency and marketing manager, National Provident Institution

Over the past 18 months, the subject of pensions has received more publicity and interest than at any time. Most attention, however, has been given to group schemes for employees. It is, after all, to improve the minimum pension benefits for all employees that the Labour Government and before it the Conservatives, have been concerned.

There are, however, two groups of people who for different reasons need to look beyond the company pension scheme set up for employees of a company. First, self-employed people are obviously excluded from pension scheme arrangements as they have always been. Second, the company pension scheme is not always a suitable or an adequate arrangement for the directors of a company. It is with the special opportunities available to directors that this article is concerned.

For years, companies have been able to provide non-controlling directors and other key executives with pension schemes under favourable taxation circumstances. Such pension schemes were used either to provide retirement benefits for a key employee not covered by the existing company arrangements, or to top up the benefits of the company pension scheme where they are considered to be too low. In other words, the key staff were to receive superior benefits in line with their contribution to the company's success.

It is only recently, however, that controlling directors have been able to participate in such schemes. Until 1973, they were treated as self-employed for the purposes of pensions and so had to rely on self-employed retirement plans to provide their pensions.

Although the self-employed retirement plan offers the same types of benefit as the company schemes, for example pension and tax-free cash sum, such plans have one disadvantage from the point of view of the controlling director. He is limited in the amount he can contribute each year to £1,500 or 15 per cent of his net relevant earnings, which

ever is lower. Not only could a high earner find himself with an inadequate pension but in any case it would be necessary to make contributions over a number of years for worthwhile benefits to be built up.

In the 1973 Finance Act, however, controlling directors became eligible for company pension plans, and their pensions status became that of "employed". Today pension plans for controlling directors have become about the fastest growing pensions sector.

The retirement plans may provide a number of benefits—broadly a personal pension, a tax-free cash sum on retirement, a death in service benefit and a widow's pension before and after retirement.

You have, also, the choice of defining final remuneration as either the average of three or more consecutive years' taxable income in the 10 years before retirement, or your remuneration for any one year in the five years preceding retirement.

Part or all of the pension may be taken as a tax-free cash sum, with a maximum of one and a half times your final remuneration, if you have been with your company for 20 years or more. For those who have worked in the company for shorter periods, a sliding scale operates. For example, 10 years' service gives a limit of 45 per cent of final remuneration as the cash sum.

The widow's pension may be up to two-thirds of the amount of your own pension, or, in the event of dying in service, two thirds of what you would have been paid if you had survived to retirement. In addition, a cash sum of up to four times your remuneration can be paid on your death in service.

Contributions are usually paid by the company, and are allowed as business expenses against the full corporation tax assessment. However, the employee may himself contribute, in which case his contributions rank for full income tax relief—at the highest rate he pays.

There are a further three tax advantages. First, the contributions to the scheme are all invested by a life office in a fund that is entirely free of tax. Second, the pensions, when they are paid, are taxed as earned and not unearned income. The cash sum paid at retirement is usually free of all tax. Third, the pension plans are normally arranged to avoid any likelihood of capital transfer tax liability on lump sum death benefits.

In addition to the choice of a range of benefits, an important feature of directors' pension plans is their flexibility. The company may vary just the level of its contributions from year to year to ensure that prospective benefits increase in line with salary. Given that salaries can rise rapidly in a period of steep inflation, this is clearly a necessary feature.

There are a number of different types of plans available from life offices which provide directors' pensions. Broadly they fall into three main categories. First, the conventional endowment type contract which provides basic benefits with the addition of bonuses.

Second, there is the unit-linked approach, where the retirement benefits provided by premiums are invested in funds linked to equities, property, fixed interest or a mixture.

Finally, there is the more modern deposit administration type of contract, offered by few of the more progressive traditional life offices. Premiums paid to the life office are invested along with their other funds, and interest is credited as if there were a deposit account for each plan.

New Act will curtail abuses

by Sigmund M. Hyman
president, S. M. Hyman Company

A new dawn for pension and retirement programmes in the United States arrived last year. On September 2, President Ford signed into law the Employee Retirement Income Security Act, the first statement of a national public policy for pensions.

The adoption of the Act by Congress came after allegations of abuses against people responsible for investing pension fund assets. It was also said that workers had forfeited all benefits when employment was severed just before their retirement or had lost benefits because of inadequate funding when plans terminated. Although the abuses were real, they were few and far between and greatly magnified by the press and members of Congress. The Act set standards to curtail abuses.

History plays an important role in understanding today. Funded pension plans came into existence in 1859 when New York City established a retirement fund to cover its policemen. 16 years later the first occupational plan was adopted by the American Express Company. From those humble beginnings, the pension movement went slowly ahead. In 1901 the Carnegie Steel Company put into effect the first enduring plan in a manufacturing company. Railways and educational institutions followed suit, but industry lagged far behind.

Pensions were largely a matter of individual responsibility and in many instances, followed a "human depreciation" theory that people wore out like machinery. Such arrangements were loose, unfunded and, in many instances, withdrawn.

It was not until after the Second World War that significant advances were made, stimulated primarily by the enactment of the Social Security Act of 1935 which provided a basic public pension system on to which private pensions could be economically added. Additionally, in 1949, the Supreme Court recognized pensions as legitimate bargaining chips in collective bargaining.

That, together with the increasing strength of organized labour, rising capital markets and the competition for skilled labour, provided the national incentive. Employees began to recognize pensions

as a "condition of employment", to be considered as additional remuneration rather than gifts to faithful workers.

During the 1950s, pensions became a political tool for trade unions. Abuses were publicized widely, as were company plans which failed because of inadequate funding, incompetence or self-dealing by fiduciaries. Such occurrences were rare but after much publicity Congress set about correcting all ills.

The main provisions of the new Act cover eligibility, vesting (preservation), funding standards and plan termination insurance. The Act provides that an employee must be enrolled no later than age 25 or after one year's employment, whichever is later.

Plans with immediate vesting (preservation) must require three years of employment as a prerequisite to enrollment. Three minimum vesting formulae provide that a worker must become completely vested after 10 years on the job; be entitled to 25 per cent of his accrued pension after five years, increasing 5 per cent a year for the next five years, and by 10 per cent for the following five years, resulting in fully-vested rights after 15 years. Alternatively, 50 per cent vested when age and length of service totals 45 years, or, if earlier, after 10 years of service. Full vesting is attained five years thereafter.

Minimum funding standards were established to make sure that fund assets were adequate to meet plan liabilities on an ongoing basis. In other words, contributions must be sufficient to meet both current costs and amortize past service liabilities over 30 years. In the absence of meeting such minimum standards or maintaining standard account balances, companies are obliged to make up any shortfall plus penalties.

To prevent loss of benefits in the event of plan termination, the Act established the Pension Benefit Guaranty Corporation to ensure that vested benefits up to \$750 a month payable at age 65 would be guaranteed. Under defined benefit plans, each plan must pay a per capita premium to the corporation to create sufficient reserves to meet the contingent liability.

Certain fiduciary standards were established for the conduct of any person or company who manages, controls, manages, directs, disbursements, or otherwise dis-

poses of plan assets, either on a discretionary basis or, in the absence of discretion, who has responsibility for the management of the plan.

The Act went on to define reporting and disclosure requirements which are to be sent to both the Department of Labour and to all plan participants. Such disclosure is to cover plan provisions, financial transactions and parties involved in the administration of the plan. Plan participants should be informed of their rights and benefits, and the Act provides for that.

In addition, there are certain pension limitations for highly-paid executives as well as individual incentives for others. Self-employed people may deduct up to \$7,500 a year or 15 per cent of earned income up to \$15,000. Workers with no company retirement plans may make tax-deductible contributions to individual retirement accounts of 15 per cent of earned income up to \$1,500 a year.

Is the Act necessary? Many authorities feel that the cost of reimbursing all benefits lost to participants due to plan termination would be less than the cost of establishing a bureaucracy in Washington to administer the problems. Others feel that the cost of vesting and substantially increased costs of administration will inhibit the growth of pensions in the United States.

Is the Act germane? Statistically, it has been shown that only one of four employees works 10 or more years with one employer. Therefore, only one of four employees will be helped. Since pensions are not mandatory, about 50 per cent of the work force is covered by pensions. Therefore, only one out of eight workers in the entire work force will be aided. More important, trends toward liberalized vesting (preservation) in the past 10 years have perhaps minimized the real number of workers whose position will be substantially improved by the Act.

Actuaries and consultants have long been aware of adequate actuarial standards to see to the proper funding of benefits. The number of exceptions are few, and abuses have been politically exploited.

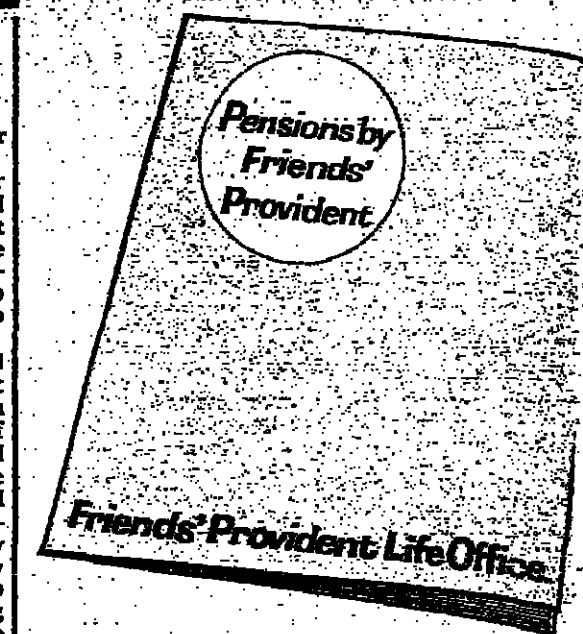
Companies, their actuaries, consultants, accountants, solicitors, investment managers and other advisers are cynical and have adopted a wait-and-see attitude. As time passes, perhaps there will be another new dawn.

whole social and economic structure arising from the loss of the incentive to save, not only in pension schemes but also in other areas.

Pension schemes are likely to be among the last form of savings to disappear, because there are other reasons than purely financial ones for maintaining them. The security afforded to employees is an important consideration and staff relations would suffer if schemes were wound up, particularly now that unions are taking a more lively interest in the subject.

What happens, however, if it becomes so expensive to save that even these considerations fail to carry weight? It does not mean that employees will all have to rely on whatever the state will provide.

In other countries, the concept of saving for future pension outgoings by setting aside separate assets is viewed with suspicion. This is, significantly, more noticeable in countries which have suffered from high rates of inflation in the past. Implications on a



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Tax-exempt funds are frequently neglected

by Margaret Stone

A frequently neglected area of managed funds and pensions is the tax-exempt funds which cater for the investment needs of pension schemes, charities and local authority pension funds, all of which are now totally exempt from tax, both income and capital gains in respect of their portfolios.

Until last year the tax arrangements for local authority funds were slightly advantageous, but in 1974 they were made totally exempt. This change has given the few management groups, such as Save and Prosper, who ran exempt funds in both categories the chance to rationalise their activities by merging erstwhile local authority pension fund unit trusts with those private pension funds.

The range of funds in this market is as wide as the range of funds for private investors. There are straightforward equity funds and property unit trusts and the similar bond funds operated by many of the linked life insurers; then there are the managed funds embracing a mixture of equities, property and some fixed interest stock in their portfolios and the cash and fixed interest funds. A recent survey by Harris Graham and Partners, pensions specialists, indicated that there are 30 equity funds, nine fixed interest funds, 16 property funds and 15 mixed or managed funds.

The purpose of these funds is to provide a pooled investment for pension funds. On the equity and managed funds side, the emphasis lies mainly in supplying a broad spread of investments for smaller pension schemes where the managers them-

| Property unit trusts | Month/Year launched | Consultant Surveyors and Agents | Finance house support |
|-----------------------------------|---------------------|---|---|
| Australian Superannuation | 2.72 | Jones Lang Wootton | Capel Court Group |
| Barclaytrust International | 2.74 | Jones Lang Wootton, Richard Ellis | Barclaytrust |
| Charities | 7.67 | Jones Lang Wootton | Hambros, Schroder Wagg |
| Fleming | 4.70 | Allsop & Co | Robert Fleming |
| Grasshopper | 9.68 | Hillier Parker May and Rowden | Barclaytrust |
| Harvester | 7.67 | Knight Frank & Rutley | Samuel Montagu |
| Irish Pension Fund | 11.67 | Jones Lang Wootton | Guinness, Mahon |
| Lamit | 4.72 | The Local Authority Investment Trust | Local Authorities |
| Lazard | 6.57 | Paper Angles Yarwood, Weatherall Green & Smith | Lazard Brothers |
| M & G Local Authority | 9.72 | Goddard & Smith, Matthews & Goodman | Samuel Montagu |
| Montagu Local Authority | 7.67 | Drivers Jones | Samuel Montagu |
| Mutual | 10.73 | Edward Erdman & Co | Samuel Montagu |
| Pan European | 3.69 | Jones Lang Wootton, Weatherall Green & Smith | Guinness, Mahon |
| Pennine | 3.69 | Henry Spencer & Sons, Storey Sons & Parker, John Postlethwaite & Co | Guinness, Mahon |
| Pension Fund | 3.66 | Jones Lang Wootton | Hambros, Morgan Grenfell, Schroder Wagg |
| Pensions and Charities | 1.69 | Allsop & Co | Lloyds Bank |
| Public and General Superannuation | 8.57 | Jones Lang Wootton | Hambros, Schroder Wagg |
| St Martin's | 10.68 | St Martin's Property Co | Warburg |
| Schroder | 1.71 | Weatherall Green & Smith | Schroder Wagg |
| Second Mutual | 7.67 | Edward Erdman & Co | Hill Samuel, Rothschild |
| Singer & Friedlander | 5.74 | Singer & Allsop, Jones Lang Wootton | Singer & Friedlander |
| Wyvern | 4.67 | Drivers Jones | |

Source: Money, Management and Unitholder

Managers or trustees of such pension funds are happy to hand over the effective day-to-day investment management of their pension fund by investing in a pension unit trust or bond fund. In most instances, the management companies will also supply the administration for the pension scheme as well. It is, however, an optional service not required by all companies.

The property unit trusts, however, tend to fall into a different category. These are, by and large, far more in the nature of a pension investment cooperative supported by some of the biggest pension schemes. They were formed because of the different nature of property investment which is a non-liquid and fairly inflexible form of investment requiring fairly large tranches of money to secure just one building.

The members of the property unit trusts have to invest in the funds in fairly large amounts and in return

they have a far greater say in the management than is ever available to the holder of the tax-exempt equity of 51.5 per cent in the *Financial Times* all-share index. Property funds dipped by 20.2 per cent against a fall of 36.8 per cent in the *Financial Times* all-share index (not strictly comparable) in the first quarter of the year. The average fall in the mixed fund sector was 19.6 per cent.

Naturally, considerable changes have taken place in the performance ratings of tax-exempt funds since the beginning of this year. The average equity fund rose by 44 per cent in the first quarter of the year. Because many of the funds were very liquid at the beginning of the year—cash had looked the best investment at the end of 1974—the funds were caught on the hop by the sudden upsurge in the stock market which sent the *Financial Times* all-share index up sharply by 80 per cent in the first quarter of the year.

Holding a property unit trust does not preclude the members from investing directly in property on their own account. Indeed, several large pension funds like to do both, the performance comparisons between the two property investment and that of the property unit trust is usually stimulating.

During 1974, the tax-exempt funds met the same problems as all other managed funds. The massive downturn in the equity market and the depression in the property sector had their inevitable repercussions on the tax-exempt funds. From figures prepared by Harris Graham and Partners, the average performance (or

relatively little change in this rate for a period of about 15 years thereafter, but the demographic position is expected to become more favourable towards the end of the century. Changes in the age structure of the population are thus not likely to have a significant effect on the rates of contribution required over the first 30 years of the new scheme.

The average level of benefits in payment, however, will increase steadily for many years. Under the new scheme pensions will be earnings-related with a basic component, corresponding to the flat-rate benefit under the present scheme (currently £11.60 a week), and an additional component calculated as 14 per cent of earnings above the level of the basic component up to the ceiling, for each year in the new scheme. The number of years to count will be limited to 20 to give a maximum pension of 25 per cent of average earnings in the relevant range, and for persons with more than 20 years membership the average will be calculated over the 20 best years. The effect is that the average amount of pension awarded will rise steadily over the first 20 years of the new scheme and it will be some 40 years before the great majority of pensions in payment will include an earnings-related component calculated at the full 25 per cent rate.

Estimates of the rates of contributions likely to be required over the years to finance the new scheme are given in the Government Actuary's report on the financial provisions of the Social Security Pensions Bill 1975 which also gives details of the assumptions on which the estimates are based and of the effects of variations in these assumptions. The additional expenditure compared with the present scheme will be relatively small in the early years and, but for the effects of contracting out, a rate of contribution little different from the 14 per cent contribution under the present scheme would be required initially.

By the end of 30 years, however, the rate would have risen to about 18 per cent with a likely further increase of the order of 20 per cent after 40 years. All the rates quoted relate to the total contribution payable in respect of employed persons and include contributions totalling about 3½ per cent payable for other than pension benefits.

The provisions for contracting-out for members of occupational pension schemes will have a major effect on the finances of the state scheme. The lower rates of contribution which will be payable in respect of contracted-out employees will result in an immediate loss of income which has to be made good by setting a higher general rate of contribution.

The corresponding saving in benefit expenditure, however, will build up only gradually over the years as the employees concerned come to retire and even when it reaches its full level the saving must be set against the loss of contributions from the next generation of contracted-out employees.

The upward trend in the ratio of pensioners to contributors is expected to continue up to about 1980 with

lack of it from the equity funds) showed a drop of 36.8 per cent against a drop of 51.5 per cent in the *Financial Times* all-share index. Property funds dipped by 20.2 per cent against a fall of 36.8 per cent in the *Financial Times* all-share index (not strictly comparable) in the first quarter of the year. The average fall in the mixed fund sector was 19.6 per cent.

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Tax-exempt unit trusts

Performance over past 12 months and three years (both taken to May 8, 1975)

| trust | % change over one year | % change over three years |
|------------------------|------------------------|---------------------------|
| Metropolitan Exempt | 31.0 | 5.3 |
| Hambro Exempt | 28.4 | — |
| Barbican European | 27.9 | — |
| Unicom Exempt | 26.2 | -13.4 |
| Schroder Pen & Cha | 14.4 | -21.2 |
| S & P Scotlape | 13.4 | -15.5 |
| Bridge Talisman Exempt | 13.3 | — |
| Target Exempt | 9.7 | -22.2 |
| M & G Pension Exempt | 7.8 | -24.0 |
| S & P Scotex Yield | 7.8 | -19.8 |
| S & P Scotex Growth | 7.1 | -29.5 |
| Morgan Gren Exempt | 2.0 | — |
| Oceanic Exempt | -1.8 | — |
| S & P Ebor Comm Pen | -2.3 | 29.4 |
| Tyndall Exempt | -2.4 | -38.2 |
| Cabot Exempt | -5.4 | — |
| New Court Exempt | -8.1 | -22.6 |
| Minster Exempt | -8.5 | -43.0 |
| Key Exempt | -10.4 | — |
| Schroder Special | -10.5 | -51.0 |
| Henderson Gross | -11.1 | -42.1 |
| Schroder Recovery | -14.4 | -39.8 |
| Tyndall Loc Auth | -19.3 | -49.2 |
| Slater Brit Exempt | -22.8 | -25.9 |

Source: Money, Management and Unitholder

Financing the state scheme

by G. G. Newton

Although the contribution structure of the National Insurance scheme has altered fundamentally from the flat rate "actuarial" contributions payable at the start of the scheme to the present system of wholly earnings-related contributions for employees, the scheme has always been financed on the pay-as-you-go principle and the new scheme will also be financed on this basis. Under this system the contributions from insured persons, employers and the Exchequer are set at the levels necessary to provide the income to meet current expenditure, and no attempt is made to build up a fund corresponding to the capital value of the accrued benefit rights under the scheme.

The pay-as-you-go system of finance directly reflects the transfer of purchasing power from the working population to those not economically active on account of old age, sickness or unemployment which is brought about by a social insurance scheme and the schemes in almost all developed countries are financed on this basis. Under this system the rates of contribution payable at any time are not related to the level of benefits which the contributors will ultimately receive but are determined by social security in payment and the relative numbers of contributors and beneficiaries.

The rates of contribution are thus directly affected by changes in the age structure of the population. Over the past 25 years the proportion of the population over pension age has been some 40 per cent greater than in the numbers at the working ages and this has been largely responsible for the increases in contributions, in real terms, which have been required over the years to finance the present scheme. This aging of the population is mainly a reflection of past changes in level of births. Although mortality rates have been declining, the improvements at the older ages, particularly for men, have been relatively small and increasing longevity accounts for only a minor part of the change in the relative numbers of pensioners and contributors.

The most uncertain factor in any projection of the future is the number of future births, but this factor cannot have a significant effect on the relative number of pensioners and contributors in the population at dates less than 20 years ahead. The estimates thus far into the future can be made with a fair degree of confidence. Thereafter, however, the size of the working population will become increasingly dependent on the level of future births.

The upward trend in the ratio of pensioners to contributors is expected to continue up to about 1980 with

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SCOTTISH WIDOWS

Get advice—and then act on it

by Peter Price
managing director,
C. T. Bowring &
Laybourn

So you want a pension scheme? Perhaps you do not, but almost certainly your workforce or their representatives do. Perhaps you have already got one but you, or your employees, want it improved. How do you set about it? Presumably you take advice.

Above all else the advice has to be competent and impartial. Both the consulting actuaries and the pension consultants have their own professional bodies who can provide the names of their members upon request.

Advice has to be paid for in some way or another. This will depend on the style of your adviser and ultimately the form of pension scheme taken: in basic terms either you will be asked to pay a fee direct to the adviser or he will receive commission from an insurance company which will be reflected in the premiums you are asked to pay.

Few established companies fail to run their own pension schemes; those who do will naturally have built up a fund of experience. But what of the company which is starting from scratch?

You have found a competent adviser and have established how you are going to pay for his services. What is the next step?

Obviously the company has to have a spokesman to talk to the adviser and that person, either in the organisation should be as high as possible. Pension schemes are complex and will often represent one of the most important contracts into which the company has entered, from the point of view of finance and employee relations. If you have a financial director and/or a personnel director, he or they should be involved.

What will they talk about? The adviser in the first place will want to have full details of any arrangements currently in force; know whether or not you have any preconceived notions of the scheme you should have or how much you should spend; obtain as much information as he can about your workforce, including the ages, earnings and past service of your employees, sub-divided between white collar and blue collar and between males and females.

Essentially the object at the first meeting will be to arrive at the position that the adviser can produce a plan, with variations, and with a cost for each variation.

tion. From there matters will evolve by further discussion of benefits and acceptable costs and eventually a report will be submitted to the board of directors or other governing body for ratification. Matters which will arise in discussion include:

Those who will be included in the scheme—males and/or females (remember that the Pensions Bill, now before Parliament insists on equal access for men and women); with or without age and service limits; white collar and/or blue collar.

Whether the pension benefit is to be related to service and average salary or final salary; whether it is to be related to future service only or all service; whether it automatically increases after retirement as a hedge against inflation; whether all categories of employee have the same benefit plan or whether differences are to be introduced; how it is to be related to state provision.

What dependants' benefits are to be provided—lump sums and/or pensions and if the latter, the question of post-retirement increases. Who pays for the benefits? The employer alone, or you in conjunction with your employees? And how is the cost to be met?

It is beyond the scope of this article to expand on most of these items, but there are two on which I would say a little more, in that they are the principal pension topics in the present climate.

First there is the question of state provision. Pending legislation is never a good reason for putting off a new occupational scheme or improving an existing one and it does not matter that your adviser cannot, at the moment, say whether or not he will be able to recommend that you should contract-out of state provision.

The solution is to put in a scheme integrated with the state scheme, both from the point of view of benefits and members' contributions. If then you contract-out of the state scheme, your own scheme remains unchanged; if you stay with the state scheme, you cut back on your own scheme. Those who wait for the state to act in 1969, or even earlier, may be waiting yet, with the result that those of their employees who retired

in this limbo period may well be drawing only the basic state pension plus supplementary benefits.

The second important point is that, if you adopt a final salary scheme—and for state integration purposes you are likely to do so—your adviser must make sure you fully understand the cost implications. The assumptions to be made in estimating the likely cost must be realistic—you must know what these assumptions imply and you must understand how seriously profits could be affected if these assumptions proved to be too optimistic in the long term. You must, therefore, consider how best to limit your liability.

Having decided on your scheme and the costing methods, you will have to decide with your adviser the extent to which it is to be insured and the extent, if any, to which it is to be operated privately and, in each of these areas there are a number of subsidiary decisions to be taken, but these again are beyond the scope of this article. It must be emphasized, however, that these are major issues and that no matter how much help your adviser gives you, at the end of the day it will be for you to make the decisions in the light of the advice given you and of your own judgment.

If you decide, in whole or in part, to operate privately with your adviser, discuss the choice of further advisers for investment, legal and actuarial services in addition to continuing consultancy and possible administration services.

Having got this far you reach the all important stage of employee communication and this will probably have been preceded by negotiations with the representatives of your employees—in particular the trade unions. After the conclusion of any such negotiations, and the incorporation of any agreed amendments into the scheme, your adviser should then guide you on the question of how to present the scheme to your employees.

There are all sorts of ways of doing this, but the usual method is by issuing to each employee with an explanatory booklet, and holding meetings at which the scheme is presented, perhaps with visual aids.

High cost of giving and dying

by Vera di Palma

Although the capital transfer tax affects us all, the older we get the more urgent it becomes to consider the tax cost of giving and dying. Estate duty was not so bad. It was so easy to avoid that its opponents caustically labelled it a voluntary tax. With so few we have little practical experience of its replacement, it would seem that nothing short of evasion—and that is illegal—will enable an individual with a sizeable estate to dodge the capital transfer tax entirely.

The tax is calculated on a cumulative basis, starting with gifts made during one's lifetime (after March 26, 1974) and culminating with the property (if used the term closely to cover all types of assets) passing on death, unless any falls into the non-exempt category.

There are two sets of rates, one for gifts made during lifetime, the other for property left behind on death. Preference is given to lifetime gifts, which are taxed at half the death rates up to £100,000, with a subsequent narrow band down to £300,000. After that the rates run parallel.

There are a number of exemptions from the tax and, although some of them are modest in amount, they can add up to substantial tax savings over the years, even for those now retired. Bearing in mind the lower rates for lifetime gifts and the exceptions, it follows that just as it was necessary for estate duty to have a planned campaign for disposing of wealth both before and on death, so it is with the new tax.

But the strategy which was required for estate duty is not necessarily appropriate now, and it is particularly important that those who are about to retire should pause to consider whether a redeployment of resources is, or will be, desirable.

Like it or not—and so many are reluctant to get to grips with reality—is essential to make a will both in the interests of tax planning and in the interests of one's dependants, who will be able to achieve a speedier administration of the estate if they are not burdened with intestacy.

Those who, over a year or so ago, made a will for estate duty purposes may well find it needs to be revised in the light of the new legislation. Under estate duty there was a special exemption up to £15,000 if property was left to the surviving spouse, but that was the limit of the generosity.

There was one other way of securing an exemption, but it was a long-term benefit rather than an immediate one. It was to leave property in trust for life to the surviving spouse, the remainder being left to others, normally

the children. Under this arrangement the funds were exempt from estate duty on the death of the second spouse, so that they eventually passed to the children burdened by only one payment of duty instead of two.

Many wills will have taken advantage of the "surviving spouse" exemption as it was called, but it is superseded now by a tax planning point of view. The reason is that all gifts between husband and wife are exempt from capital transfer tax without limit, whatever form they take, and whether they are made during lifetime, bequeathed by will, or passing under the laws of intestacy.

In view of the way the tax rates rise with each slice of property, it does not follow that the most beneficial plan is to leave everything to the surviving spouse at the expense of the children. If tax is the only consideration, it is normally preferable to aim for an equalization of the estate between husband and wife and each leave a separate half to the children.

Other exemptions include a number of modest lifetime gifts and these will affect the majority of pensioners. There is an annual exemption of £1,000 with an additional £100 to each individual. Two others have been carried over from estate duty: one of them is regular gifts which can be regarded as part of the donor's normal expenditure.

There is no fixed monetary limit but the amount must be reasonable in relation to income and assets, nor can it add up to substantial tax savings over the years, even for those now retired. Bearing in mind the lower rates for lifetime gifts and the exceptions, it follows that just as it was necessary for estate duty to have a planned campaign for disposing of wealth both before and on death, so it is with the new tax.

For those who can afford to be public spirited, whether during lifetime or on death, there are a number of possibilities for transferring one's wealth free of the tax, such as giving to charities, political parties (the Government looks after its own), the British Museum and many others.

If a gift is not within one of the exemptions, generally speaking, it is cheaper to give during life rather than on death because of the preferential rates. A gift then during lifetime can attract capital transfer tax at the lower rates but also capital gains tax. On the other hand, if the gift is deferred until death, it will attract capital transfer tax only, albeit at the higher rates, but the amount of the latter could well be smaller than the sum of the former.

It will depend on the size of the capital gain (and retirement relief will to some extent diminish it so far as a business is concerned) but, if it is substantial, there could be a tax saving in deferring the gift until death, giving share in the spirit of the legislation.



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THE TIMES

BUSINESS NEWS

Pending to beat budget helped boost retail sales 7 pc in April

London. Sales soared last month, 7.1 per cent from their level, according to a survey by the Department of Industry, mainly because of a rise in value-added tax from 8 to 25 per cent. A huge spending spree in the first half of the month, the higher rate became only on May 1 and consumers time to buy at set levels.

Department of Industry figures for the first half of the month showed that the rate of increase in the volume of retail trade was 7.1 per cent, compared with 4.5 per cent in the corresponding period of 1974. It adds that the rate of increase in the volume of retail trade was 7.1 per cent, compared with 4.5 per cent in the corresponding period of 1974.

RETAIL SALES AND HP

The following are the seasonally adjusted figures for the volume of retail trade and the volume of home production, as released by the Department of Industry.

| | 1974 | 1975 |
|-----|-------|-------|
| Jan | 105.8 | 2,497 |
| Feb | 110.7 | 2,871 |
| Mar | 109.8 | 2,617 |
| Apr | 112.8 | 2,761 |
| May | 110.8 | 2,681 |
| Jun | 112.0 | 2,712 |
| Jul | 108.8 | 2,678 |
| Aug | 107.3 | 2,614 |
| Sep | 111.0 | 2,648 |
| Oct | 111.8 | 2,679 |
| Nov | 108.2 | 2,605 |
| Dec | 108.2 | 2,616 |
| Jan | 111.4 | 2,615 |
| Feb | 112.2 | 2,617 |
| Mar | 111.4 | 2,617 |
| Apr | 111.4 | 2,617 |
| May | 111.4 | 2,617 |
| Jun | 111.4 | 2,617 |
| Jul | 111.4 | 2,617 |
| Aug | 111.4 | 2,617 |
| Sep | 111.4 | 2,617 |
| Oct | 111.4 | 2,617 |
| Nov | 111.4 | 2,617 |
| Dec | 111.4 | 2,617 |

So far there has been no agreement on the amount of compensation for the four oil companies in the Middle East. The Saudi Government is due to resume talks with the Arabians, American Oil Company (Aramco) today on the proposed 100 per cent state takeover of the consortium's operations. Talks are expected to last for several days and both sides are hoping that all outstanding questions can be finally settled.

Some forecasters have argued that the rate of increase in the volume of retail trade would be reduced by the increase in value-added tax. But the Department of Industry says that the rate of increase in the volume of retail trade was 7.1 per cent, compared with 4.5 per cent in the corresponding period of 1974.

C wary of Swiss move to join 'snake'

David Cross, May 19. In European monetary integration. But largely because of the French decision, the ministers are unlikely to want to see the Swiss franc join the concerted float. This is because the strength of the Swiss franc would tend to pull the other currencies operating in the 'snake' upwards, thereby making it more difficult for the French to rejoin the system.

According to well-informed sources here, the original intention of the 'snake' was to be a device to help the weaker currencies to catch up with the stronger ones. But the French decision to join the 'snake' has changed the picture.

Drastic falls in Kuwait and Saudi oil output

By Roger Vielvoye

Kuwait's oil production dropped by 24.2 per cent last month compared with output in April 1974, providing yet another indication of the depressed state of the world oil market. Output totalled 64.4 million barrels against 84.9 million in April last year, the Petroleum Ministry announced yesterday.

Even this substantial drop is small compared with the cutback in Saudi Arabia. According to informed sources, Saudi output in April was 5.6 million barrels a day—about half the country's total productive capacity and well below the record 8.4 million barrels a day achieved last October.

Saudi Arabia's decision to allow such a huge fall-off in production and revenues has saved the Organization of Petroleum Exporting Countries from being forced to make controlled output cuts throughout its membership in an effort to equate supply and demand and keep prices from falling.

The Saudi Government is due to resume talks with the Arabians, American Oil Company (Aramco) today on the proposed 100 per cent state takeover of the consortium's operations. Talks are expected to last for several days and both sides are hoping that all outstanding questions can be finally settled.

Some forecasters have argued that the rate of increase in the volume of retail trade would be reduced by the increase in value-added tax. But the Department of Industry says that the rate of increase in the volume of retail trade was 7.1 per cent, compared with 4.5 per cent in the corresponding period of 1974.

Chrysler now faces wage demand for 30 pc

By R. W. Shakespeare

With all Chrysler car production in Britain now halted by the strike over pay demands by 4,000 workers at the central engines plant in Coventry, union conveners from the American-owned company's production centres in the Midlands, Scotland and Dunstable met yesterday to discuss proposals on "power sharing" through worker participation.

The conveners' main decision was to set up a small working party to examine the management's proposals.

Chrysler is now facing bigger demands from workers at its Ryton, Coventry, and Scottish car plants than the £8 a week immediate "incentive" increase which the Stoke Newington strikers are in dispute.

In a claim tabled yesterday the 4,000 Ryton workers are calling for a 30 per cent increase in their present average

basic rate of £54.57, plus threshold payments of £120 a week, longer holidays and improved holiday pay, a reduction in the working week, improved shift premiums and higher sick pay.

The Chrysler management calculates that, if conceded in full, the claim would add 60 per cent to the plant's wages costs—clearly well outside the terms of the social contract.

A similar demand together with some closing of existing differentials has been tabled by workers at the Linwood Renfrewshire plant.

The Stoke men sought increases in basic rates stepped up by £15 a week in a new pay deal, due at the end of next month.

The conveners made it clear that if Chrysler wanted to put any fresh proposals on the pay issue they would be ready to discuss them, but no new approach has come from the employers.

It is likely that there will be some contact between the two sides during the next 24 hours. The strike leaders are expected to hold another session tomorrow before a further mass meeting of the strikers on Thursday. The stewards have made it clear they now expect any initiative to come from the company.

Chrysler has said it is prepared to table new pay proposals on Friday, but so far the management has insisted on a full return to work before this is done.

The strike has stopped all car assembly operations in Coventry and at Linwood, making more than 7,000 other workers idle. Chrysler is losing output of more than 100 cars a day. By the end of this week production of vans at Dunstable plant will also be stopped.

Elsewhere in the industry the situation was mixed. At Ford's Dagenham plant production was halted with 5,000 laid off because of a strike by 100 men already in its fourth week. Production losses are running at more than £15m.

At Massey Ferguson, tractor production at the Banner Lane, Coventry, factory is still held up because of a continuing strike over pay by 4,000 workers.

However, British Leyland was able to recall most of the 16,500 workers who have been laid off over the past three weeks because of a strike by 700 clerical workers which closed five Dunlop component factories in Coventry. The clerical workers went back yesterday after accepting settlement terms, and 2,000 other Dunlop workers were recalled.

British Leyland had eight different car model lines stopped by the strike in the Midlands, on Merseyside and at Cowley, Oxford. It hopes to have all workers back by today and production in all centres resumed by tomorrow.

Institutional buyers spark surge by equities

By Our Financial Staff

Appearance of the unit trusts and other major institutional buyers of shares sent the equity market ahead in London yesterday. The City was hopeful that the Government and the trade unions might now act together to curb United Kingdom wage inflation.

The FT index rose by 12 points to 353.7, only a few points under the year's high, while the Times index, at 144.38, showed a net rise of 6.73. But the market remains short of stock, and turnover was not over heavy yesterday. The total of recorded bargains, at 6,981, was low for the first day of a new trading account.

Shares in the overseas earnings companies led the market forward. ICI (270p), Beecham (282p) and Reed International (286p) all with trading statements due this week—closed with good rises.

Gilt two were better, helped by the disclosure that the rate of increase in United Kingdom wages is slowing down, and by further cuts in prime rates by American banks.

Tim Congdon writes: "Monetary growth is now excessive", according to the latest Monetary Bulletin from W. Greenwell & Co, the stockbrokers. The bulletin questions the reliability of the present M3 (the broadly based money supply) figures as indications of monetary conditions and argues that there has been a substantial build-up of liquidity in recent months.

Although M3 has been growing at an annual rate of under 10 per cent in the past three months other types of deposit, which have characteristics similar to those of money, have been growing much more quickly, the bulletin says. In particular, the net deposits of building societies have grown substantially in the past six months, at an annual rate of 22 per cent.

Meanwhile, M1 (the narrowly defined money supply) has started to rise far too quickly, the stockbrokers say. The right policy, they contend, is a gradual reduction in the rate of growth of the money supply in nominal terms. But the latest figures, which show an annual growth rate of 38 per cent, tend to support the view that M1's current behaviour is contrary to the gradualist recommendation.

Concern is expressed that renewed demand for bank loans from industry will be difficult to control when the economy begins to recover and confidence returns. Rapid growth of bank lending would add to the money supply and cause inflationary pressures in 1976 and 1977.

The former control mechanism, which operated by inhibiting the growth of banks' interest-bearing liabilities, is criticised. A preference is shown for an alternative mechanism which would define the ratio of each bank's eligible liabilities that might be lent to the private sector.

Board backs lower bid for SMC

By Our Financial Staff

Britain's largest maker of domestic central heating pumps, Sealed Motor Construction, is the subject of a takeover battle. Within an hour of Myson, a leasing and venting equipment hire company, bidding £2.6m for SMC yesterday, a counter offer worth £2.2m came from another engineering company, Adwest.

To the annoyance of the Myson camp, SMC's board said it would recommend the Adwest bid of 104 per cent convertible loan stock for each SMC share—and irrevocably committed directors' beneficial holdings to Adwest representing 9.9 per cent of the SMC equity.

Myson's offer is in equity—three Myson shares, now standing at 74p, for every five in SMC, valuing SMC shares at 46.7p against last night's market price of 45p, up 10p on the bids.

For about two years Myson, which feels that SMC's pump business would integrate well with its heating and ventilating equipment interests and benefit from Myson's aggressive marketing policies, has been stalking SMC and recently took its stake in the Bridgewater, Somerset, company up to 12.8 per cent.

SMC's low market value reflects difficulties it has suffered due to the state of the building industry on which it is heavily dependent. Interim profits for last August were sharply down, there were losses in Italy and SMC's interim dividend was passed.

Chase Manhattan cuts prime rate to 7 1/4 pc

From Frank Vogl

Washington, May 19

Chase Manhattan Bank of New York today became the latest of the major United States banks to cut its prime lending rate to 7 1/4 per cent from 7 1/2 per cent.

The move coincided with the cut to 6 per cent from 6 1/2 per cent in the discount rate by the Federal Reserve Bank of San Francisco, after similar cuts by 10 other Federal Reserve banks last Thursday.

The cuts in interest rates are, according to bankers and money market dealers, a direct response to clear efforts by the Fed to ensure that short-term rates do not rise under pressure from the drain on funds provided by high Treasury borrowing.

A modest rise in short-term rates had been widely expected, but the Fed appears to have countered the move effectively, so far, by a series of specific actions.

Dealers maintain that the Fed has lowered its target rate for federal funds (reserves which banks lend each other) by about one-quarter per cent.

The general view is that the prime rate will not go below 7 per cent during the summer, although some dealers are optimistic that the rate might even fall to 6 1/2 per cent.

Herbert aid decision next month

By Edward Townsend

Department of Industry proposals for the rescue of the troubled Alfred Herbert machine tool group are to go before the Industrial Development Advisory Board (IDAB) this week. A government decision on state aid is expected by mid-June.

Mr Wedgwood Benn, Secretary of State for Industry, has told management and unions he hopes the issue will be decided by the Cabinet shortly after the EEC referendum.

Mr Benn is already at variance with the IDAB over Herbert. In January he disagreed with the board that the best way for the company to be placed in a sound and continuing basis was to allow it to go into receivership.

Since then the union-supported working party at Herbert has been compiling a joint corporate plan proposing restructuring of the company, including 500 redundancies.

This scheme was put to Mr Benn at the beginning of this month. One issue is the future of Herbert's Red Lane plant in Coventry. The factory, employing about 500, makes heavy grinding machines for the steel industry, and the Herbert management has proposed that on economic grounds it should remain within the reorganized group.

But a report yesterday that Mr Benn had strongly opposed the closure of Red Lane during recent talks with management and unions was denied by the Department of Industry, and Mr Neale Raine, Herbert's chief executive.

He said yesterday that Mr Benn had decided that the Red Lane issue should be studied further.

Pan American want to pay 10 per cent, but the British Government has said the rate must be no more than 7.5 per cent. Britain has told Pan Am that unless it accepts the 7.5 per cent maximum by Friday permission to operate into Britain could be altered or even revoked.

Over the six months to July 31 last year Anthony Carrimore, Durham-based manufacturer of car transporters and trailers, managed to halve its pre-tax loss from £80,000 to £40,000.

Concern is expressed that renewed demand for bank loans from industry will be difficult to control when the economy begins to recover and confidence returns. Rapid growth of bank lending would add to the money supply and cause inflationary pressures in 1976 and 1977.

The former control mechanism, which operated by inhibiting the growth of banks' interest-bearing liabilities, is criticised. A preference is shown for an alternative mechanism which would define the ratio of each bank's eligible liabilities that might be lent to the private sector.

INTERIM STATEMENT

The Directors of Australia and New Zealand Banking Group Limited have declared an interim dividend of 4.7p per share in respect of the year ending September, 1975 (1974, 4.5p). This dividend is payable on 8th July, 1975 to shareholders registered in the books of the Company at the close of business on 30th June, 1975. The dividend will be payable in London in English currency and in Australia and New Zealand at buying rates of exchange for telegraphic transfers on London current at the date of the dividend, namely 8th July, 1975.

INTERIM STATEMENT

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Consolidated profit after tax (unaudited) for the year ended 31st March, 1975 was 5 per cent higher than the figure for the previous corresponding half and gross income was 35 per cent higher. Its from banking operations were 13 per cent higher than in the previous corresponding period. This reflects the increases in deposit interest rates paid with a continuing rise in the proportion of cost-bearing deposits and considerably higher operating costs, particularly salaries and associated costs.

An increase of 48.7 per cent in profits was achieved by Canada, following the strong growth in receivables.

The Directors are of the opinion that, in the face of unforeseen circumstances, an increase over consolidated profit after tax recorded at 30th September, 1974 will be achieved in the year to 30th September, 1975.

ITALIA AND NEW ZEALAND BANKING GROUP LIMITED

Interim Statement for the year ended 30th September, 1975

Whewy Watson

The profits and turnover of Whewy Watson Holdings, the Glasgow-based chainmakers, engineers and forgery for the year to March 31 last were the best ever. Second half production and sales showed a marked improvement on the first and unaudited figures indicate that the full-year pre-tax profits will be £850,000, a 65 per cent increase on 1973-74.

Crucial anti-trust case opened against IBM

From Peter Stradford

New York, May 19

Six years after it was filed, the Federal government's anti-trust case against International Business Machines' "fixing" came to court in New York today. The case was opened by Mr Raymond Carlson, an attorney from the Justice Department, who outlined the government's objections.

The main point, he said, was that IBM had sought to monopolize the general purpose systems market in computers as well as related hardware and software markets. Its policies had caused barriers to the growth of the industry, so that even large corporations like General Electric and RCA had to withdraw.

RCA, Mr Carlson said, had made great advances in computer technology, but it had come up against the enormous resources of IBM and had been forced to withdraw after making large operating losses.

The IBM suit is the biggest anti-trust case to have been heard in the United States. It has enormous importance for the future of the computer industry and for the status in years to come of any large

corporation that comes to dominate a sector of industry. Just as Standard Oil was broken up earlier in the century, the government wants to break up IBM in some way. It has not said exactly how this should be done, but has spoken of "several discrete, separate, independent and competitively balanced entities" capable of competing successfully in domestic and international markets.

IBM denies any illegal monopoly practices, and claims that it has earned its success through competition on the merits—new product innovation, superior service and

Dutch bank bids £2.5m for NCT

Northern Commercial Trust, the private banking concern which made a £1.81m loss last year and has been receiving substantial support under the secondary bank rescue scheme, is to be acquired for £2.5m in cash by Algemeene Bank Nederland, a leading Dutch bank.

The offer depends upon the completion of an agreement under which Knowles & Co, the banking subsidiary of Authority Investments, and the holder of a 26.8 per cent stake in NCT, will take over the London operations of NCT. Authority Investments and the directors together control 74.2 per cent of NCT's ordinary shares and are recommending acceptance of the offer.

Anglo-US talks on Pan Am fees

By Arthur Reed

Air Correspondent

Talks are due to begin in Washington tomorrow between the American State Department and Britain's Department of Trade in an effort to settle the dispute over what rate of commission should be paid by airlines to travel agents.

Pan American want to pay 10 per cent, but the British Government has said the rate must be no more than 7.5 per cent. Britain has told Pan Am that unless it accepts the 7.5 per cent maximum by Friday permission to operate into Britain could be altered or even revoked.

How the markets moved

| Rises | Falls |
|-----------------------------|----------------------------|
| Attled Brew 5p to 5 1/2p | Bank of NSW 5p to 5 1/2p |
| Barclays Bank 5p to 5 1/2p | Cater Ryder 5p to 5 1/2p |
| Beecham 5p to 5 1/2p | Chown Secs 5p to 5 1/2p |
| Brit-Am Tob 5p to 5 1/2p | Dunlop Hides 5p to 5 1/2p |
| GNV 5p to 5 1/2p | Home Charm 5p to 5 1/2p |
| Imp Chem Ind 5p to 5 1/2p | |
| Lloyds Bank 8p to 8 1/2p | Long John Int 8p to 8 1/2p |
| Reed Int 15p to 15 1/2p | Sheil 15p to 15 1/2p |
| Sun Alliance 15p to 15 1/2p | Samuel, H. 15p to 15 1/2p |
| Ultrasun 15p to 15 1/2p | |
| Hoover 5p to 5 1/2p | Jersey Ext 5p to 5 1/2p |
| Ldn Tin 5p to 5 1/2p | Metro Town 5p to 5 1/2p |
| Summers, D.C. 5p to 5 1/2p | Sime Darby 5p to 5 1/2p |
| Vickers 4p to 4 1/2p | |

Equities rose sharply on renewed buying from the major institutions. Sterling rose by 10 points to 32.3035. The "effective devaluation" rate was 25 per cent. Gold rose by \$2.25 to \$168.25 an oz.

Gilt-edged stocks were firmer. SDR-5 was 1.24460 on Friday, while SDR-E was 1.059886. Commodities: Reuters' index closed at 1,076.2 yesterday (1,075.9 on Friday).

Reports, page 20 and 21

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| Diary | 21 |
| Letters | 21 |
| Market reports | 21 |
| Share prices | 22 |

The Times index: 144.48 + 6.73
FT index: 353.8 + 12.0

THE POUND

| Bank | Bank | Bank |
|-----------------|---------|---------|
| Australia 5 | 1.77 | 1.72 |
| Austria Sch | 35.50 | 32.50 |
| Belgium Fr | 84.50 | 81.75 |
| Canada \$ | 2.42 | 2.37 |
| Denmark Kr | 12.85 | 12.45 |
| Finland Mk | 8.35 | 8.19 |
| France Fr | 9.55 | 9.25 |
| Germany DM | 5.55 | 5.35 |
| Greece Dr | 69.00 | 66.75 |
| Hongkong \$ | 11.60 | 11.25 |
| Italy L | 1455.00 | 1410.00 |
| Japan Yu | 700.00 | 670.00 |
| Netherlands Gld | 5.70 | 5.50 |
| Norway Kr | 11.60 | 11.25 |
| Portugal Esc | 56.50 | 54.50 |
| S Africa Rd | 1.88 | 1.81 |
| Spain Pes | 130.50 | 125.50 |
| Sweden Kr | 5.30 | 5.00 |
| Switzerland Fr | 5.90 | 5.70 |
| US \$ | 2.34 | 2.29 |
| Yugoslavia Dnr | 39.00 | 37.00 |

Rates for bank notes only, as quoted yesterday by Barclays Bank International Ltd. Different rates apply to travellers' cheques and other foreign currency business.

AYERYS LIMITED

Weighing, Testing and Measuring Machines

Points from the Annual Statement to Shareholders by the Chairman, Mr. R. C. Hale, B.Com.

I am very pleased to report a record Profit before Taxation of £8,130,000. This has resulted from higher turnover which, although swollen by inflation, contains real growth in some Home and Overseas sales particularly of the new electronic counter scale known as the Avery 1750. This scale was illustrated in last year's Report.

Power shortages in India and adverse changes in the currency rates of Australia, New Zealand and South Africa caused the trading profit of our Overseas companies to fall below the record figure of 1973. The improvement in Group profit came from our Home companies but was a result of increased exports.

The Directors are recommending a final dividend of 2 8/276p per share which constitutes the maximum permissible.

In our principal activity—weighing machines—strong demand, particularly overseas, took us into 1975 with a healthy order load which was even higher in value than that at the start of the previous year. Orders for the year to date are still holding up well and continue to be exported.

Forecasting is difficult because uncertainties at home are compounded by the instability of currency exchange rates, but I have confidence in the fundamental strength of our Group and believe that the results for this year should show further progress.

| Some Financial Highlights | 1974 | 1973 |
|--------------------------------------|--------|--------|
| Sales to customers | 5,000 | 5,000 |
| Trading Profit | 52,167 | 48,951 |
| Profit before Taxation | 7,639 | 6,929 |
| Profit after Taxation | 8,130 | 7,450 |
| Extraordinary Items (after Taxation) | 3,703 | 3,682 |
| Available Earnings | 122 | 120 |
| Earnings per Share | 3,731 | 3,731 |
| Dividend (Gross) per Share | 9 3/4 | 9 3/4 |
| Dividend (Net) per Share | 6 3/4 | 5 3/4 |

The Report and Accounts can be obtained from The Secretary, Averys Limited, Smethwick, Warley, West Midlands B66 2LP.

Looking for trends in banking

Business Diary: Hook of Holland • Out of print?

800m), of which about 80m lire came from payment of an extra "black" 2 per cent in addition to the 5 per cent paid legally on the corporation's deposits with Banca di Milano, and about 40m lire received in like manner from deposits deposited with Banco Di Milano, a small Milan bank.

The magistrate furthermore approaches Verzotto for allegedly trying to conceal the fact that he was a director of Banco Di Milano.

Afterthought : according to Ferranti's 1974 accounts the company gave 15,000 to the Conservative Board of Finance. And this year ...

Drawbacks to legal aid in the 'workers' courts'

Delay in fixing a hearing is often a matter of importance for a man who has been dismissed; especially if there is a question of reinstatement. At present the hearings take place on average eight or ten days after an application is received.

The employers have to be given two weeks to prepare their reply and then the papers have to be sent to the Advisory, Conciliation and Arbitration Service to give an opportunity for settlement by conciliation. And after they have finished at least two weeks' notice has to be given of the hearing.

All this may take two or three weeks longer if one or both parties is legally represented.

It seems that the balance of advantage and disadvantage in allowing legal aid is a fine one. One might say our society has legal representation altogether, but it is generally accepted that there are cases in which it is necessary.

America's economy: the official optimism which businessmen do not share

smaller and more fuel-efficient models. This was the reason, he said, for the success of foreign manufacturers in the United States market in recent months.

But the car industry leaders do not give the impression that they believe American attitudes are changing. They still maintain that the American car buyer still has a big car continues.

If Mr Greenspan is right and the unit sales forecasts are accurate, then it could mean that the foreign manufacturers will account for a good deal of the increase in car sales in the motor industry in 1980.

Detroit is showing few signs of making radical changes in its model ranges.

The result will be that the car makers will continue to be plagued with deep problems and the continued sluggishness in car sales will hinder the whole pace of the United States economic recovery.

Certainly the impression is not one that supports the views of Dr. Milton Friedman, Mr. Greenspan and Mr. Simon. The outlook for the national product growth is likely in the second half, let alone the even more optimistic forecasts now being made by a host of respected academic and bank economists.

It could well be that the business community is displaying an excess of caution and pessimism as a reaction to what has proved to be their excessively optimistic views of six months ago.

Nevertheless the Business Council membership represents a group of businessmen who share the caution of the businessmen today is a valuable counterweight to the present optimism of Washington officials—an optimism that to some degree is based on political considerations rather than on thorough and objective economic research.

800m), of which about 80m lire came from payment of an extra "black" 2 per cent in addition to the 5 per cent paid legally on the corporation's deposits with Banca di Milano, and about 40m lire received in like manner from deposits deposited with Banco Di Milano, a small Milan bank.

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Afterthought : according to Ferranti's 1974 accounts the company gave 15,000 to the Conservative Board of Finance. And this year ...

Youghal

Carpets (Holdings) Limited

SALES INCREASED IN A DIFFICULT YEAR
**“Dutch acquisition a major step forward
in the life of the Company”**

***Highlights from 1974 Accounts and Statement to Shareholders
by the Chairman, Mr. Brian L. J. O'Brien.***

- * Total sales increased by 16% to £28,340,000. The ability of a company to hold its market during periods of recession is, I believe, an important indicator of its strength and vitality.
- * A final dividend of 15% (3.75p per share) is recommended making 35% for the year. A scrip issue equivalent to a further 3.75p per share is also proposed.
- * Profitability was affected by higher interest charges, the change in the raw material market and exceedingly difficult selling conditions.
- * Acquisition of the Dutch company, Koninklijke Vereenigde Tapijtfabrieken NV (KVT) enables the Group to obtain a foothold on the Continent to make a start in building a profitable manufacturing and trading division outside Ireland and the United Kingdom.

**Copies of the Report and Accounts are available from
the Secretary, Youghal Carpets (Holdings) Limited,
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[illegible]

* Bit dividend. a Mx all. b Forecast dividend. c Coffee price. d Interest payment passed. e Price at suspension. Dividend and yield exclude a special payment. f Bit company. g Foreign company figures. h Forecast earnings. i Tax free. j Price advanced for late dealings.

THE TIMES SHARE INDICES

The Times share indices for 19.05.75 (base date June 2, 1964 original base date June 2, 1963).

| | Index No. | Div. Yield | Earn- ings Yield | Index No. |
|---------------------------------------|--------------|---------------|------------------------|--------------|
| | Latest | % | % | Previous |
| The Times Indus- trial Share Index | 144.48 | 8.38 | 12.15 | 138.75 |
| Largest Coys. | 142.87 | 8.32 | 12.71 | 137.50 |
| Smaller Coys. | 147.39 | 7.82 | 14.81 | 143.48 |
| Capital Goods | 143.89 | 8.35 | 12.71 | 138.75 |
| Consumer Goods | 142.47 | 6.35 | 12.15 | 138.75 |
| Store Shares | 137.50 | 7.03 | 7.43 | 131.58 |
| Largest financial shares | 138.91 | 4.97 | — | 135.64 |
| Largest financial | | | | |

| | | | | |
|-----------------------|--------|------|---|--------|
| 2nd Industrial shares | 153.16 | 6.07 | — | 746.88 |
|-----------------------|--------|------|---|--------|

| | | | | |
|-------------|--------|------|-------|--------|
| Gold Mining | 233.85 | 4.02 | 13.99 | 233.81 |
|-------------|--------|------|-------|--------|

| | | | | |
|------------|---------|------|------|--------|
| Industrial | 1963-04 | 4.80 | 7.40 | 150.30 |
|------------|---------|------|------|--------|

| | | | | |
|------------|-------|-------|---|-------|
| Industrial | 44.21 | 26.60 | — | 45.45 |
|------------|-------|-------|---|-------|

3 1/2% War Loan 25.00 74.50 — 237

Indices is given below:—

| | 1970 | 1971 | 1972 | 1973 | 1974 |
|----------|--------|-----------|-------|-----------|------|
| All-time | 158.67 | 115.08.73 | 50.15 | 12.12.79 | |
| 1970 | 144.42 | 119.05.79 | 52.47 | 106.01.75 | |
| 1971 | 136.18 | 123.02.79 | 50.15 | 12.12.79 | |

| | | | | |
|------|--------|------------|--------|------------|
| 1971 | 184.33 | (12.01.73) | 120.99 | (14.12.73) |
| 1972 | 188.45 | (15.08.73) | 154.48 | (30.01.73) |
| 1973 | 174.11 | (31.12.71) | 132.23 | (02.03.71) |

Flat Interest Field.

... ..

Appointments Vacant

GENERAL VACANCIES

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Marketing Information Unit
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COMPUTER CAREER OPENING

The London Training Division of Control Data Corporation, who make the world's most powerful computer, have vacancies on their Training-Salary Scheme for alert, determined people between 18-27 who will be trained and helped into career positions in Programming, Computer Engineering, or Computer Operations.

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Applications are particularly welcome from people with backgrounds similar to those of previous successful trainees, such as college or school leavers, clerical and accounting staff, trainee managers, technicians and electrical or mechanical engineers.

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We offer on-the-job training, career progression with a successful group, a salary in the range of £2,500-£3,500 in the first year, and above all the opportunity to contribute to a cause to which this company has a sincere social commitment.

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adcasting

apart. Auntie Beeb worries about those Reds under the bed with a
tentative about the dreaded KGB (BBC 1 9.25) but Sir Lew Grade counters
its right royal serial on the life of Edward the Seventh (ITV 9.0). Controversy
8.0) starts a two-day debate on the EEC with yet more of our resident
S. Images of Childhood (BBC 9.0) offers a horrific and much-recommended
Ronnie Barker in the Book Programme (BBC 7.35) is a better bet than the
ed Sykes (BBC 7.40). The wild cat is shown Bristol fashion in Animal Magic
5.15) and there is late-night soccer (ITV 10.30). —L.B.

BBC 2

6.40 am. Open University: A
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7.30. News. 8.00. News.
8.30. News. 9.00. News.
9.30. News. 10.00. News.
10.30. News. 11.00. News.
11.30. News. 12.00. News.

Carpet

12.00. News. 1.00. News.
1.30. News. 2.00. News.
2.30. News. 3.00. News.
3.30. News. 4.00. News.
4.30. News. 5.00. News.
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Carpet

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Radio

12.00. News. 1.00. News.
1.30. News. 2.00. News.
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Yorkshire

12.00. News. 1.00. News.
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Business Services

12.00. News. 1.00. News.
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Carpet

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Radio

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Yorkshire

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Business Services

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